

FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, SEPTEMBER 8, 2011
SHA BUILDING DISTRICT 3
GREENBELT, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Louise Hoblitzell
Peter J. Basso
Mary Halsey
Richard C. Mike Lewin (Via Telephone)

STAFF ATTENDING: Allen Garman
Derek Jones
Marjorie Nesbitt
Brenda Sandbank
Jackie Seneschal
Deborah Sharpless
Dennis Simpson
Valerie Smith
Cheryl Sparks
Alison Williams

OTHERS ATTENDING: Fred Rappe – MDOT
Judy Slater – MDOT

At 10:50 am, Committee Chairwoman Louise Hoblitzell called the meeting of the Finance Committee to order.

APPROVAL: MEETING MINUTES – July 14, 2011

Upon motion by Member Mary Halsey and seconded by Member Mike Lewin the minutes of the July 14, 2011, Finance Committee were unanimously approved.

APPROVAL

Debt Management Policy

Ms. Alison Williams presented to the members the Debt Management Policy which is subject to an annual review to keep it current with market trends and requirements. In November 2010 the Debt Management Policy was adopted by the Authority Members. At that time it had been updated and reformatted in accordance with MDTA's new policy template.

The Policy sets the guidelines and processes relating to the issuance of debt, and MDTA's on-going compliance with various debt related agreements and applicable State and Federal laws and regulations. The Policy defines the responsibilities of the Chief Financial Officer, Division of Finance staff and MDTA advisors. It identifies the standards by which debt is to be sold, issued and managed.

The Policy has been reviewed by MDTA Finance staff and financial advisors, Jamie Traudt of Davenport and David Miller of PFM. No changes were recommended.

Upon motion by Ms. Halsey and seconded by Mr. Lewin, the Members recommended that the Policy be presented to the full MDTA board for approval at its September 22, 2011 meeting.

Investment Management Policy

Mr. Allen Garman presented the proposed changes to the Investment Management Policy. The proposed changes reflect recommendations made by financial advisors (PFM and Davenport) and internal staff.

The following changes were previously discussed at the July 14, 2011 Finance Committee meeting and received concurrence by the committee members: 1) increase maximum permitted exposure to U.S. Federal Agency Obligations to 100% from 80% of total investments; 2) Limit Single issuer U.S. Federal Agency exposure to 35% of total investments (Current policy does not contain an issuer limitation for Federal Agency obligations); and 3) increase maximum permitted single issuer exposure to Repurchase Agreement to 40% from 20% of total investments.

Additionally, a new change is necessitated by S&P's August 5th downgrade of the U.S. sovereign rating and the ratings for Government Related Entities, including Federal Agencies, to double-A-plus (AA+) from triple-A (AAA): this is to change Federal Agency "triple-A" (AAA) requirement to "...rating in the highest category assigned to that obligor, but in no case less than the Double-A (AA) category." Finally, the Board members requested that the policy include a provision that would require notification of the downgrade of any investments held by the Authority.

Upon motion by Ms. Halsey and seconded by Mr. Lewin, the Members recommended that the Policy be presented to the full MDTA board for approval at its September 22, 2011 meeting.

Resolution 11- 02

Ms. Deb Sharpless and Ms. Valerie Smith presented Investment Resolution 11-02. This Resolution updates and supersedes Resolution 08-02 to specifically name the staff positions authorized to direct investments. The Authority's Trust Agreement requires that it make such delegations. Resolution 11-02 delegates authority for the purpose to the following staff positions, including the newly created Deputy CFO designation: 1. Chief Financial Officer (CFO), 2. Deputy CFO. 3. Director of Treasury and 4. Director of Accounting.

Upon motion by Ms. Halsey and seconded by Mr. Lewin, the Members recommended that the Policy be presented to the full MDTA board for approval at its September 22, 2011 meeting.

UPDATE: CONDUIT DEBT

BWI CONDUIT DEBT SUMMARY:

Alison Williams gave an update on the status of the BWI revenues for the past fiscal year. This update included the three conduit bond issues that are outstanding: the rental car facility CFC bonds, the PFC bonds and the BWI parking revenue bonds. Revenues improved in Fiscal Year 2011 compared to Fiscal Year 2010. Revenues are sufficient to meet the rate covenants and to cover all debt service requirements.

Series 2002 Parking Revenue Bonds

Parking revenue has increased by 6 percent to \$71.4 million. Debt service coverage is 2.80 based on debt service of \$20.8 million. The legal rate covenant is coverage of 1.25. Debt service has a first priority lien after MAA pays the operating costs of its parking facilities. A Letter of Credit from PNC Bank was acquired in July 2010 along with a cash transfer to comply with a reserve fund requirement. The parking bonds are rated A2 by Moody's and A- by Fitch. There are \$211.1 million of parking bonds outstanding.

Series 2002 Rental Car Facility Bonds

CFC revenue has increased by 7.5% to \$12.5 million. Debt service coverage is 1.55 based on debt service of \$9.0 million. The legal rate covenant is coverage of 1.25. The CFC rate is unchanged at \$3.75 per transaction day. The Courtyard Improvement Project has been completed and future improvements to the facility are under review by MAA. The CFC bonds are rated A3 by Moody's. There are \$101.4 million of CFC bonds outstanding.

Series 2003 Variable Rate PFC Bonds

PFC revenue has increased by 2.2% percent to \$45 million. The PFC rate is unchanged at \$4.50 per enplaned passenger. The PFC bonds are variable rate bonds, and the weekly interest rate continues to reset at historic lows. State Street Bank is the Letter of Credit provider. The Bank is rated Aa2 by Moody's and A by Fitch and S&P. There are \$22 million of PFC bonds outstanding.

WMATA Metrorail Parking Facilities

MDTA financed via a lease structure the construction and acquisition of three parking facilities located at the College Park, Largo, and New Carrollton Metrorail Stations in Prince George's County, Maryland. There is a Deficiency Agreement with Prince George's County whereby the County covenants, subject to appropriation, to fund any shortfall in the Debt Service Reserve Fund (DSRF). The Bonds are rated Aa3 by Moody's, AA by Fitch and AA+ by S&P. Fiscal Year 2011 debt service and administrative costs have been paid. WMATA's lease payments are payable solely from the County's Surcharge Reserve Account under the terms of a Surcharge Implementation Agreement with WMATA, MDTA and the County. WMATA assesses a parking surcharge of \$.75 per day for all of its parking facilities. The Fiscal Year 2011 ending balance in the Surcharge Revenue Account was \$16.3 million. There is no required debt service rate covenant. There are \$33.2 million of bonds outstanding.

Department of General Services (DGS – Calvert St. Parking Garage)

MDTA financed via a lease structure the construction of a 728 space parking garage for State employees in Annapolis. Since there is no reserve fund, rental payments are due 15 business days prior to January 1 and July 1. Fiscal Year 2011 debt service of \$1.6 million has been paid. The bond documents require DGS to annually certify that it has budgeted and requested sufficient appropriations to meet all of its rental obligations. The DGS budget certification for Fiscal Year 2013 has been received. The bonds are partially insured by MBIA (2016-2032 maturities only) which occurred at the option of UBS when the bonds were sold in 2005. The bonds are rated Aa1 by Moody's and AA+ by S&P and Fitch. There are \$20.7 million of bonds outstanding.

UPDATE: DEBT SURETY POLICIES

This matter was last reviewed at the November 2010 meeting when funding for the 2007 Series GARVEE debt service reserve funding was approved due to a credit rating downgrade of Assured Guaranty (successor to FSA). Since that time, the credit ratings have remained unchanged at AA+ by S&P and Aa3 by Moody's. Fitch has withdrawn its rating. MDTA has 3 toll-backed bond issues that have Financial Security Assurance (FSA) surety policies worth \$71 million to comply with debt service reserve fund requirements under the 2007 Trust Agreement. The surety policies meet the credit ratings required under the 2007 Trust Agreement; however,

the ratings outlook is negative. Finance staff will continue to monitor this situation and report on any adverse credit rating changes which would require alternative funding by MDTA.

UPDATE: TIFIA

Ms. Sharpless gave a brief update on the status of the draw down of the \$516 million TIFIA loan. Approximately \$347 million and \$37 million were drawn in FY 2011 and FY 2012, respectively. There is still \$134 million to draw. It has been decided to delay the final draw down request. By not submitting the request until July of 2013, there will be a recognized saving of approximately \$7.3 million. Ms. Sharpless was informed by the Federal TIFIA program staff that this type of transaction is frequently done.

UPDATE: FRATERNAL ORDER OF POLICE NEGOTIATIONS

Ms. Marjorie Nesbitt gave an update on the upcoming collective bargaining negotiations with the Fraternal Order of Police. The State Labor Relations Board has certified that the Fraternal Order of Police, Lodge #34 (FOP), has been designated by eligible employees of the MDTA Police, as the exclusive representative for the purpose of collective bargaining with the MDTA on wages, hours and other terms and conditions of employment. Negotiations will begin in mid-September.

UPDATE: TRAFFIC AND REVENUE

Ms Sharpless explained the report for the month ending August 31, 2011, indicated the system revenues for the month were \$27.6 million, which is down \$1.9 million versus the previous year. The fiscal year-to-date revenues were \$56.6 million, which are down \$2.7 million versus the previous year and are \$1.8 million, or 3.1%, below Jacobs' current Base Case revenue forecast.

Traffic for this period showed system transactions were 10.6 million, which is down 0.5 million versus the previous year. Fiscal year-to-date system transactions were 21.5 million, which are down 0.6 million versus the previous year and are 0.1 million, or 0.4%, below the current Jacobs' Base Case transaction forecast.

There being no further business, the meeting of the Finance Committee was adjourned by general consensus at 11:55 a.m. following a motion by Ms. Halsey and seconded by Mr. Lewin.