



JUNE 2012
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Airports Authority established the Dulles Corridor Enterprise Fund to segregate the financial activity associated with the operation, maintenance and improvement of the Dulles Toll Road (DTR) and construction of the Dulles Corridor Metrorail Project (the Rail Project) from the financial operations of the Airports. This report provides an update on the status of capital financing activities and other issues related to the Enterprise Fund.

Action Items

No Action Items to Report

Informational Items

- ***Potential Dulles Toll Road Rate Adjustments.*** Staff and the Financial Advisors continue to evaluate and refine potential adjustments to the DTR toll rate schedule. An initial recommendation for potential toll rate increases in calendar years 2013, 2014 and possibly 2015 will be discussed in a joint Dulles Corridor and Finance Committee meeting on July 18.

If authorized by the Committees, the President and Chief Executive Officer will then initiate the process for amending the Airports Authority's toll rate regulations, which includes soliciting public comment on the proposed changes and conducting public hearings in the Dulles Corridor. Staff will also brief the Dulles Corridor Advisory Committee on the proposed toll rate adjustments.

A comprehensive report on the public hearings and the submitted comments will be presented at a joint Dulles Corridor and Finance Committee meeting in October 2012. A resolution to modify the DTR toll rates could be considered by the full Board in November 2012.

- ***2012 Plan of Finance.*** Staff and the Financial Advisors are working with the Rail Project Office to update cash flow projections that will help determine the optimal size and timing of the next debt issuance. One option under consideration is leveraging the future funding that will be received under the Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) by issuing short-term debt secured by a pledge of the FFGA payments scheduled to be appropriated by Congress after the completion of Phase 1 construction.

Another priority is working with the traffic and revenue consultant, CDM Smith, to analyze the financial impact of potential changes to DTR toll collection policies, including distance-based toll rates, peak hour pricing, and different toll rates for E-ZPass and cash customers.

- ***Loudoun County Review of the Rail Project.*** On May 16, 2012, senior management from the Airports Authority made a presentation to the Loudoun County Board of Supervisors at its fifth work session on the Rail Project. Topics covered included key events in the development of the Rail Project, an overview of the potential allocation of project costs among the funding partners, and updates on the traffic and revenue study and project construction.

Relevant News Items

- ***Virginia Transportation Infrastructure Bank (VTIB) Update.*** On May 16, 2012, the Commonwealth Transportation Board (CTB) was briefed on a Virginia Transportation Infrastructure Bank loan application submitted by the Loudoun County Industrial Development Authority on behalf of the developers of Kincora, a 424-acre mixed use development site located near the intersection of Route 7 and Route 28 approximately five miles north of Washington Dulles International Airport. If the \$80 million VTIB loan is approved by the CTB at its June meeting, the developer will use the proceeds to fund local roadway improvements intended to relieve congestion on Route 7, Route 28 and Waxpool Road in Loudoun County. The VTIB loan would be repaid by special assessments on residential and non-residential property in the area.

A third VTIB application is expected this month for an \$80 million line of credit for the U.S. Route 460 Corridor Improvements Project. If approved, the CTB will have allocated the entire initial VTIB capitalization of \$312 million.

- ***Proposed Toll Rates for Chesapeake Transportation System.*** On May 23, 2012, the Chesapeake City Council received a report from its traffic consultant and finance team on the potential toll rates needed to support the financing of the new \$412 million Dominion Boulevard Project. The Council is expected to hold a public hearing on the proposed toll rates this month and vote on the initial toll rate schedule in July.

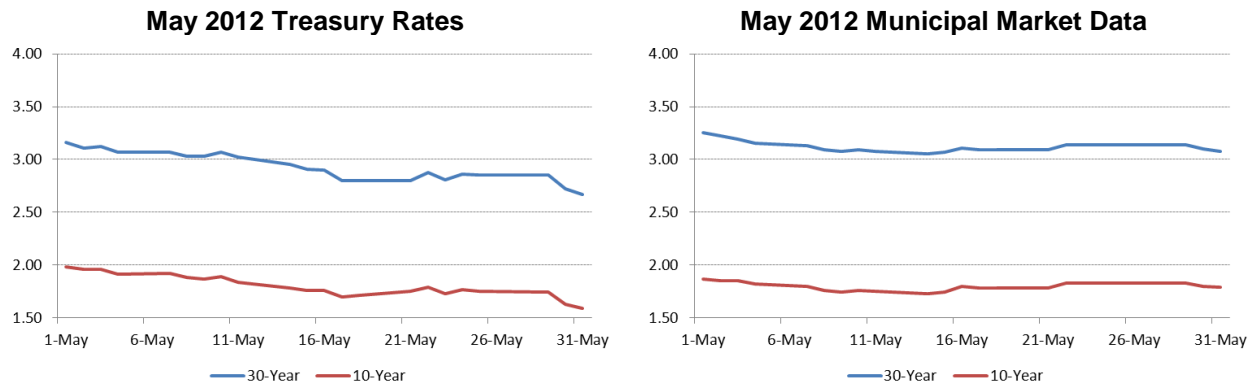
The traffic consultant, Steer Davies Gleave, presented a toll rate schedule that starts with a \$1.00 toll for E-ZPass customers in 2017, the year construction is scheduled to be completed. The initial toll rate is increased by 5 percent each year through 2035 to \$2.41. Drivers without E-ZPass will be charged an additional \$2.00 to cover the cost of processing an image of their license plate and sending a bill to the owner of the vehicle. There will be no cash toll collection on the Dominion Boulevard Project.

Steer Davies Gleave and the finance team also recommended that the peak toll rate on the existing Chesapeake Expressway be increased from \$6.00 to \$8.00 in 2016 with an additional \$1.00 toll increase every five years. The off-peak toll rate would stay at \$3.00 until 2021 and then increase by \$1.00 every 10 years.

Market Update

Concerns in Europe along with a softening US economic recovery contributed to a rallying Treasury market. Municipals lagged Treasuries, but interest rates continued lower. Investors

have cash to invest as a result of maturing debt and redemptions. In addition, the relative safety of municipal bonds is added appeal.



On May 31, 2012, the CTB accepted bids for \$600 million of Transportation Capital Projects Revenue (CPR) Bonds. The CPR Bonds are rated “AA+” by Standard & Poor’s and Fitch. The strong rating reflects the pledge of tax revenues deposited to the Commonwealth’s Priority Transportation Fund and any legally available funds of the General Fund. Six bids were submitted and the winning bid had a true interest cost of 3.3627 percent.

A number of toll road and highway issues came to market in May. North Texas Tollway, rated in the single-A category, sold forward delivery refunding bonds (delivery on October 4, 2012) at a yield of 4.62 percent (2052 maturity). New Jersey Turnpike, another single-A rated issue, priced bonds to yield 2.91 percent in 2035. The other toll road and highway issues sold in May carried higher (AA-category) ratings including Montana DOT Grant Anticipation Notes (GANs), Louisiana Gas Tax, New Hampshire GANs, Arizona Transportation GANs, Kansas Turnpike, and Washington GANs.