

## **TAB 2**

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**CAPITAL FINANCIAL PLAN**

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## **PHASE 1: WIEHLE AVENUE EXTENSION**

### **Preliminary Capital Financial Plan**

**Supplemental Information to Support the Request for Final Design Approval**

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*Prepared by*

**Metropolitan Washington Airports Authority**

**February 1, 2008**

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## OVERVIEW

In September 2007, in compliance with FTA requirements, the Metropolitan Washington Airports Authority (Airports Authority), in cooperation with the Virginia Department of Rail and Public Transportation (DRPT), Washington Metropolitan Area Transit Authority (WMATA), and Fairfax and Loudoun Counties, Virginia, submitted a Request to Enter Final Design with both a Preliminary Capital and Operating Financial Plan (Preliminary Financial Plan) to the FTA that described the Project's ongoing financial planning activities in preparation for entry into the Final Design Phase of project development.

The Financial Plan highlighted the significant progress made in executing agreements among the funding partners to define their respective financial commitments. Non-Federal sources will provide 69.6% of the total funding for the Wiehle Avenue Extension (Phase 1). More than 75% of this local funding has been committed, while the remaining amount has been budgeted. These local sources are stable and sufficient to fund the non-Federal share of the Project. In fact, revenue from the pledged sources is already being collected and set aside for the construction effort.

The purpose of this document is to provide additional information to assist the FTA in evaluating the stability and reliability of the Preliminary Financial Plan. FTA has not shared the report of the Financial Management Oversight Contractor (FMOC) on this Preliminary Financial Plan, so this document is intended to 1) formally document information that has also been shared with the FMOC in response to questions and 2) continue the updating of the Preliminary Financial Plan with more recent information. The Project's financial team is ready to discuss specific issues and concerns when they are provided.

In FY 2007 and FY 2008, the Project's local financial commitment rating was "Medium." Based on the information provided in the Preliminary Financial Plan, the updates to that information, and the formal documentation of information provided to the FMOC, this review should remain "Medium" rather than the "Medium Low" rating indicated in the letter dated January 24, 2008.

The following information is organized in sections addressing the three factors that contribute to the overall Capital Financial Plan rating. This information is also being incorporated into the September 2007 Preliminary Capital Financial Plan. The three factors are:

1. Current capital financial condition of the sponsoring agency and funding partners;
2. Degree of commitment and availability of Non-Section 5309 New Starts funds;
3. Reasonability of capital planning assumptions and cost estimates and financial capacity to cover capital cost increases or funding shortfalls.

## **CURRENT CAPITAL FINANCIAL CONDITION**

### **FTA GUIDANCE**

The current capital financial condition of the project sponsor and funding partners is evaluated based on the audited financial statements, condition of the agency's capital assets (age of vehicles and facilities) and the agency's bond ratings. This subfactor rating reflects current rather than forecast conditions.

### **PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT FOR CURRENT CAPITAL FINANCIAL CONDITION**

FY07 - Medium (3)  
FY08 - Medium (3)

### **KEY STRENGTHS NOTED IN PRIOR ASSESSMENTS AND SUBMITTALS**

The project sponsor and funding partners are highly rated entities with significant debt management expertise.

|  |            |
|--|------------|
| Commonwealth of Virginia                   | AAA        |
| Fairfax County                             | AAA        |
| Metropolitan Washington Airports Authority | AA/Aa3/AA- |

Additional information on the credit ratings for the Airports Authority is provided under separate cover.

The average age of the WMATA bus fleet is 7.2 years (NTD, 2006), which is consistent with a Medium rating.

### **ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA**

The Dulles Toll Road is a very strong credit. The debt issued by the Commonwealth to help fund the construction and improvement of the toll facility was structured as Section 9c general obligation bonds that require certification from the Governor of Virginia that the net pledged revenues would be sufficient to pay principal and interest on the bonds. The credit has been rated "AAA." The net toll revenue generated by the toll road after payment of debt service has funded over \$70 million of transfers to the Dulles Transit Set Aside Fund since 2005 in addition to other highway and transit projects.

In 2004, the General Assembly of the Commonwealth of Virginia provided authorization for the potential issuance of debt for the Dulles Rail Project under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The objective was to use Federal credit assistance to optimize leverage of the Dulles Toll Road and reduce reliance on Federal grant funding. That goal is consistent with the statutory purpose of TIFIA.

Upon transfer of project sponsorship in late December 2006, the Airports Authority advanced the effort by submitting a TIFIA application to USDOT in January 2007. Under 23 U.S.C.

602(b)(2)(B), applicants for TIFIA credit assistance are required to provide a conditional credit assessment from a nationally recognized statistical rating organization (NRSRO) that indicates "the potential for the senior debt obligations funding the project to achieve an investment grade rating." The indicative ratings in the preliminary opinion letter obtained for the application ("BBB" for senior toll revenue bonds and "BB" for TIFIA) merely confirm that the project meets the minimum thresholds for initiating the TIFIA application process and do not represent the underlying credit quality of the Dulles Toll Road. Formal credit ratings based on a comprehensive traffic and revenue study of the Dulles Toll Road will be obtained prior to the issuance of debt obligations.

The preliminary credit opinion letter should not be given any weight in the assessment of the capital financial condition of the project sponsors. The rating agency clearly states: "This credit opinion does not constitute a credit rating..." In addition, the letter notes that it is not for publication or distribution "except to satisfy the requirements of MWAA's TIFIA loan application for the Phase 1 Project."

Credit ratings from all three recognized rating agencies will be obtained for the senior toll revenue bonds prior to issuing any debt. The TIFIA requirements and process are clearly established. If selected for TIFIA credit assistance, an investment grade rating must be obtained for the senior debt obligations and an opinion on the default risk of the TIFIA credit instrument before the negotiation and execution of the credit agreement and disbursement of funds.

## **COMMITMENT OF CAPITAL FUNDS**

### **FTA GUIDANCE FOR COMMITMENT OF CAPITAL FUNDS**

For final design, the Capital Plan rating standard for "Medium-High" requires over 75% of Non-Section 5309 New Starts funds to be committed or budgeted.

### **PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT FOR COMMITMENT OF CAPITAL FUNDS**

FY07 - Medium High (5)

FY08 - Medium High (5)

### **KEY STRENGTHS NOTED IN PRIOR ASSESSMENTS AND SUBMITTALS**

- The Airports Authority and Fairfax and Loudoun Counties have executed a funding agreement that defines each partner's financial commitments. (*Agreement to Fund the Capital Cost of Construction of Metrorail in the Dulles Corridor, September 11, 2007*)
- The Airports Authority established an Enterprise Fund for the Dulles Toll Road and Dulles Corridor Metrorail Project. (*Financial Administration of the Dulles Toll Road and Dulles Corridor Metrorail Project, June 6, 2007*)

- The Airports Authority adopted its FY 2008 Budget and Capital Improvement Program, which contained the Financial Plan for the Dulles Corridor Metrorail Project, including the non-Federal funding sources for the Project. *(2008 Budget, Resolution No. 07-42, December 5, 2007)*
- In May 2005, the Commonwealth Transportation Board increased the toll rates on the Dulles Toll road to provide additional dedicated funding for the Dulles Rail project. It was the first toll adjustment since the toll road opened in 1984. The Board indicated at the time that it was prepared to increase tolls again in 2010 to support the Dulles Rail Project. In July 2007, the Airports Authority held two public hearings on Dulles Toll Road toll rates and subsequently adopted the current schedule without any changes. *(Amendment to the Metropolitan Washington Airports Regulations to establish User Tolls Applicable to the Dulles Toll Road,, Resolution No. 07-24, August 8, 2007)*
- The Airports Authority and Bank of America have executed a term sheet for a \$150 million line of credit to be secured by Dulles Toll Road revenues. *(Authorization for the Issuance of Dulles Toll Road revenue Bond Anticipation Notes, Resolution No 07-19, July 11, 2007)*

**ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA**

The local funding sources identified for Phase 1 are 100% committed. However, to account for a differing interpretation with regard to the Dulles Toll Road revenues that will secure the proposed TIFIA loan, the allocation of Non-Section 5309 funds has been modified to decrease the amount of the TIFIA loan by approximately \$70 million. The amount of Dulles Toll Road revenue bonds has been increased by the same amount, so the total amount of local funding has not changed. This minor adjustment increases the percentage of funds that FTA considers to be “Committed” or “Budgeted” to more than 75 percent making the rating “Medium High.”

The chart below shows the allocation of local funding before and after the modification.

**TABLE 3.1 LOCAL FUNDING COMMITMENT – WIEHLE AVENUE EXTENSION**  
(Thousands YOE Dollars)

**Previous Allocation of Local Funding**

|                         | Amount              | Level of Commitment | Committed Sources | Maturity of Sources |
|-------------------------|---------------------|---------------------|-------------------|---------------------|
| Commonwealth - VTA 2000 | <b>51,700</b>       | Committed           | 2.51%             | Existing            |
| Fairfax Tax District    | <b>487,750</b>      | Committed           | 23.67%            | Existing            |
| Dulles Toll Road        | <b>940,944</b>      | Committed           | 45.66%            | Existing            |
| TIFIA Loan              | <b>580,385</b>      | Planned             |                   | Existing            |
|                         | <b>\$ 2,060,779</b> |                     | <b>71.84%</b>     |                     |

**Modified Funding Allocation**

|                         | Amount              | Change      | Committed Sources |
|-------------------------|---------------------|-------------|-------------------|
| Commonwealth - VTA 2000 | <b>51,700</b>       | -           | 2.51%             |
| Fairfax Tax District    | <b>487,750</b>      | -           | 23.67%            |
| Dulles Toll Road        | <b>1,010,556</b>    | 69,612      | 49.04%            |
| TIFIA Loan              | <b>510,772</b>      | (69,612)    |                   |
|                         | <b>\$ 2,060,779</b> | <b>\$ -</b> | <b>75.21%</b>     |

**CAPITAL COST ESTIMATES, PLANNING ASSUMPTIONS AND FINANCIAL CAPACITY**

**FTA GUIDANCE FOR CAPITAL COST ESTIMATES, PLANNING ASSUMPTIONS AND FINANCIAL CAPACITY**

The evaluation of capital cost estimates and planning assumptions focuses on the sensitivity of the financial health of the agency with respect to the assumptions regarding revenue forecasts, socio-economic conditions, cost inflation, and the reasonability of the cost estimates.

**PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT**

- FY07 - Medium (3) for Financial Capacity  
Medium Low (2) for Estimates and Assumptions
- FY08 - Medium (3) for Financial Capacity  
Medium Low (2) for Estimates and Assumptions

**KEY STRENGTHS NOTED IN PRIOR ASSESSMENTS AND SUBMITTALS**

The Airports Authority provided FTA with a revenue sensitivity analysis on November 9, 2007, that clearly demonstrated that "optimistic" assumptions are not needed to conclude that the Dulles Toll Road can generate sufficient funding for Phase 1.

The WMATA capital program reasonably reflects WMATA's replacement and rehabilitation needs. The projected increase in local funds is commensurate with inflation, at about 4 percent annually.

The WMATA Board approved the updated long-term operating and maintenance plan for Phase 1 on June 24, 2007, thereby endorsing the plan and providing a full commitment to maintain the Project. The WMATA Board Resolution stated that "the cost of operating and maintaining WMATA's current bus and rail systems, in addition to Dulles Phase 1, is within the financial capacity of WMATA and the contributing jurisdictions."

## **ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA**

The Project has met FTA's requirements for a "Medium" rating on Capital Cost Estimates and Assumptions.

### ***Base Case Revenue Assumptions***

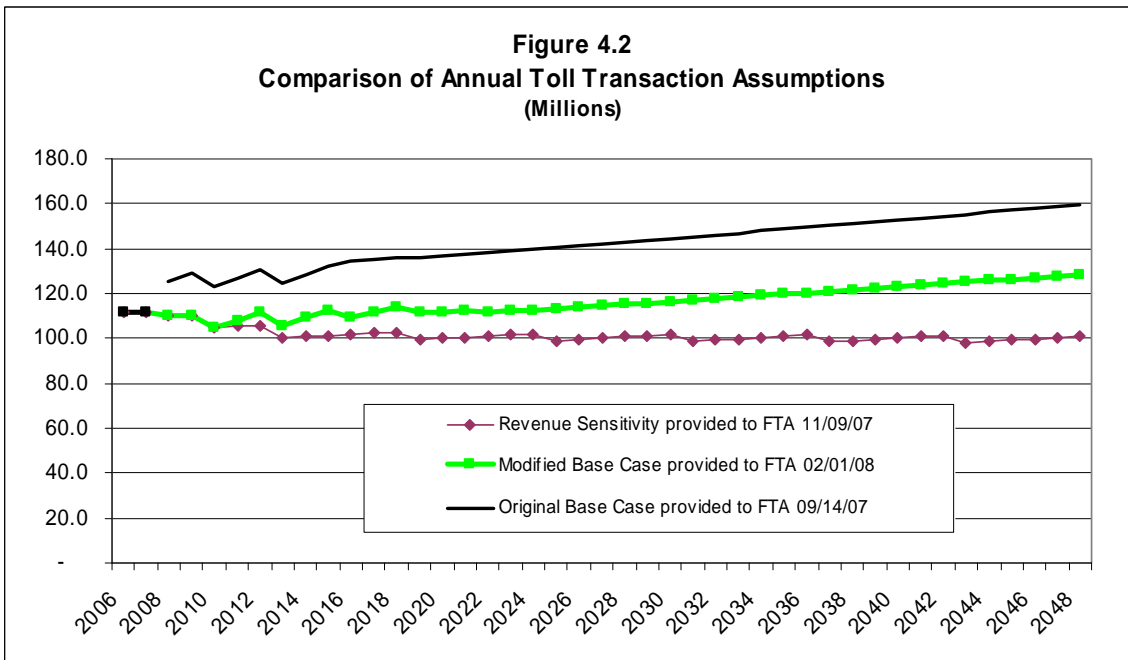
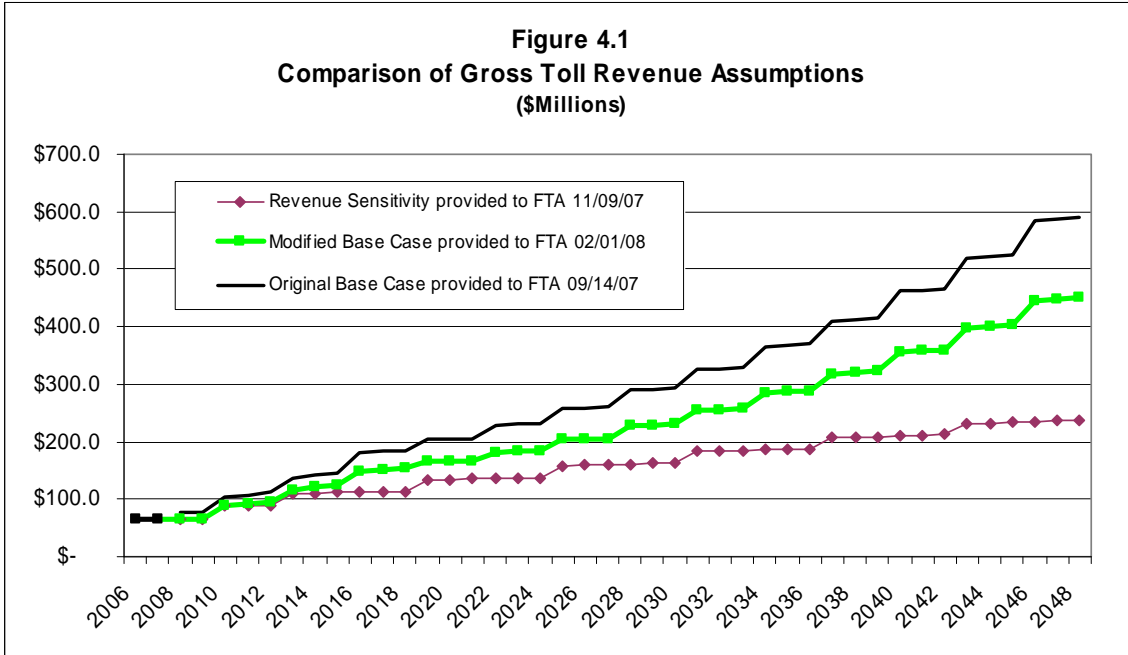
The traffic and revenue assumptions for the Preliminary Financial Plan submitted to FTA in September 2007 were based on adjustments made in 2006 to the forecast prepared by Wilbur Smith Associates (WSA) in February 2005. WSA examined a number of alternative toll rates schedules and determined that revenue could be optimized with a mainline toll of approximately \$2.00. The Commonwealth Transportation Board increased the mainline toll to \$0.75 in May 2005 and raised the toll rate at all ramps to \$0.50. Significant capacity exists to achieve the revenue assumptions through additional toll increases as necessary.

To facilitate the issuance of toll revenue debt and negotiation of the FTA Full Funding Grant Agreement, the Airports Authority has commissioned a new, comprehensive traffic and revenue study. Results from that study are expected in the spring of 2008.

The future revenue potential of the Dulles Toll Road cannot be determined by simply extrapolating historical data. VDOT traffic data indicates that traffic volumes modestly decreased on most of the major roads in the Dulles Corridor over the past two years because of economic conditions. With the long-term economic growth expected in the corridor and periodic toll rate adjustments, net toll revenue can be dramatically increased from year to year.

However, to address the FTA concern expressed in the January 24, 2008 letter, the forecasted toll transactions and revenues have been updated to reflect recent toll revenues and toll transactions. This downward adjustment produces a revised Base Case with toll revenue significantly below the assumptions in the official six-year revenue forecast for the facility.

For the modified base case, the assumed average annual growth in toll transactions is now less than 0.40 percent. Even in the conservative modified base case, tolls remain reasonable. In 2027, the average toll rate would be \$1.80 with a present value of \$.97. The figures below compare the modified Base Case revenue and transaction estimates to previous assumptions. As important, what every case demonstrates is the strong debt service coverage, well in excess of what rating agencies traditionally require. The strong coverage means that sufficient excess revenues are available after payment of operations, maintenance, and debt service for additional borrowing, pay-as-you-go expenses and reserves. The Agreement with the Commonwealth provides for each of these options.

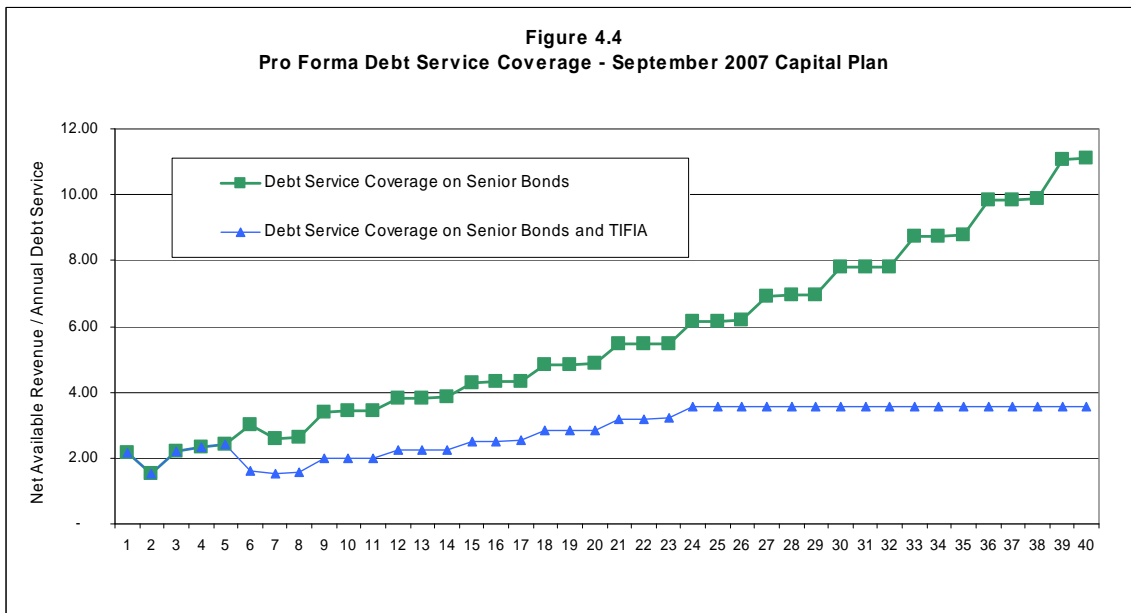
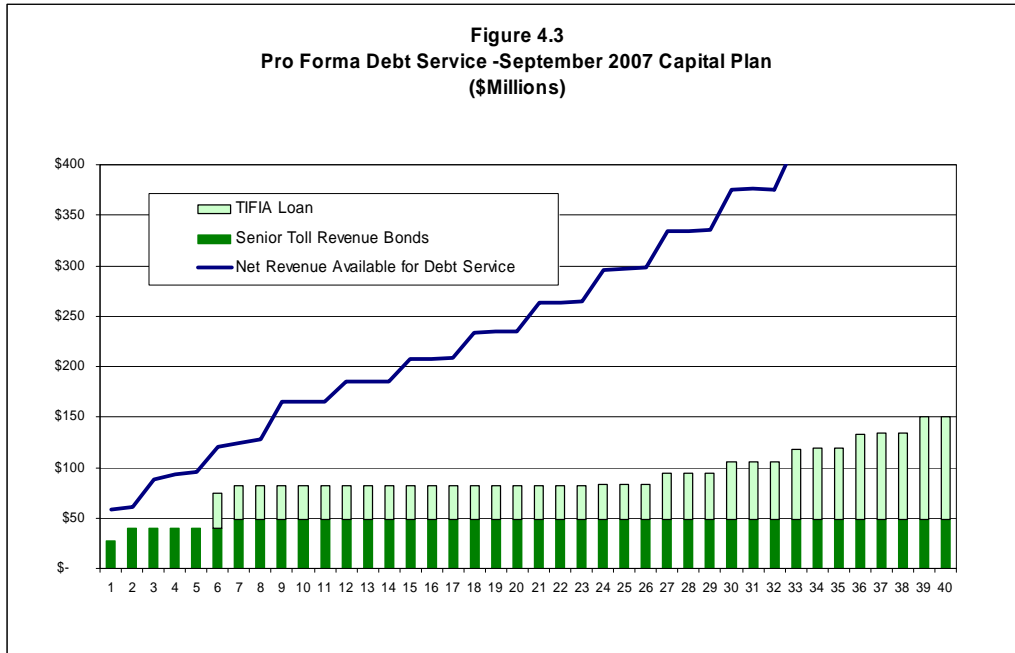


It is important to note that one of the key strengths of the Dulles Toll Road is that it serves an established corridor connecting large residential areas with major commercial centers. Toll rates have been increased only once since the facility was opened to traffic and the current 9-cent per mile average toll rate is low relative to other toll facilities. Additional revenue generation can be accomplished as well by implementing peak hour pricing and strategic capital improvements. The Agreements between the Commonwealth and the Airports Authority require that both of these actions be taken. Capacity constraints on competing roads and the significant time savings realized by using the Dulles Toll Road during peak

travel hours, along with the robust long-term economic outlook for the corridor and region, ensure that the Dulles Toll Road will continue to generate the revenue necessary to support the Project.

**Financing Structure**

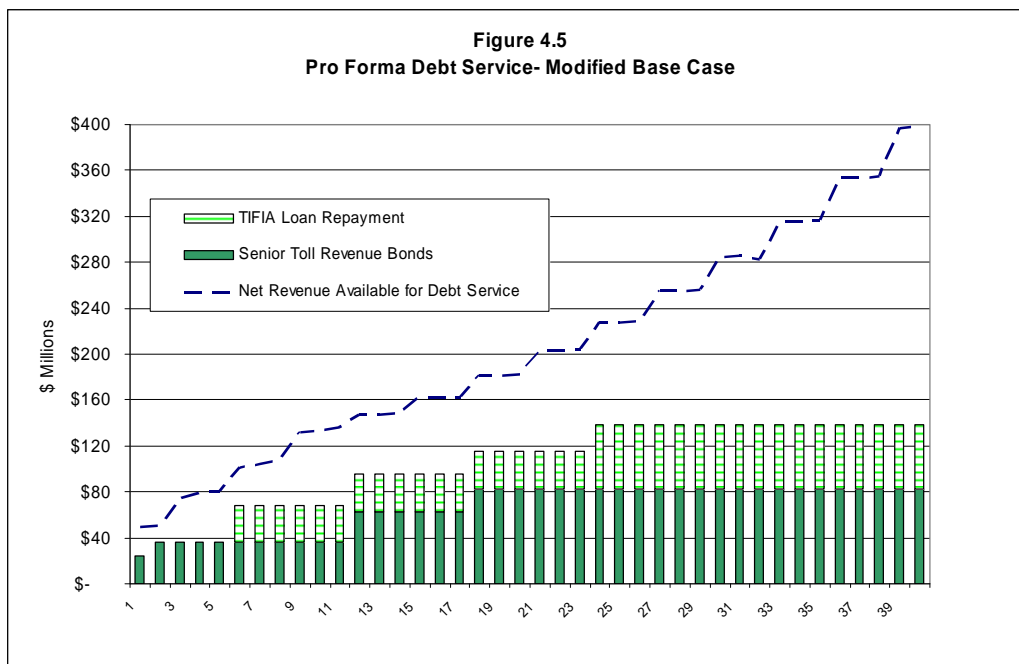
The chart below shows the potential annual debt service obligations for the Dulles Toll Road in the Preliminary Financial Plan submitted in September 2007.

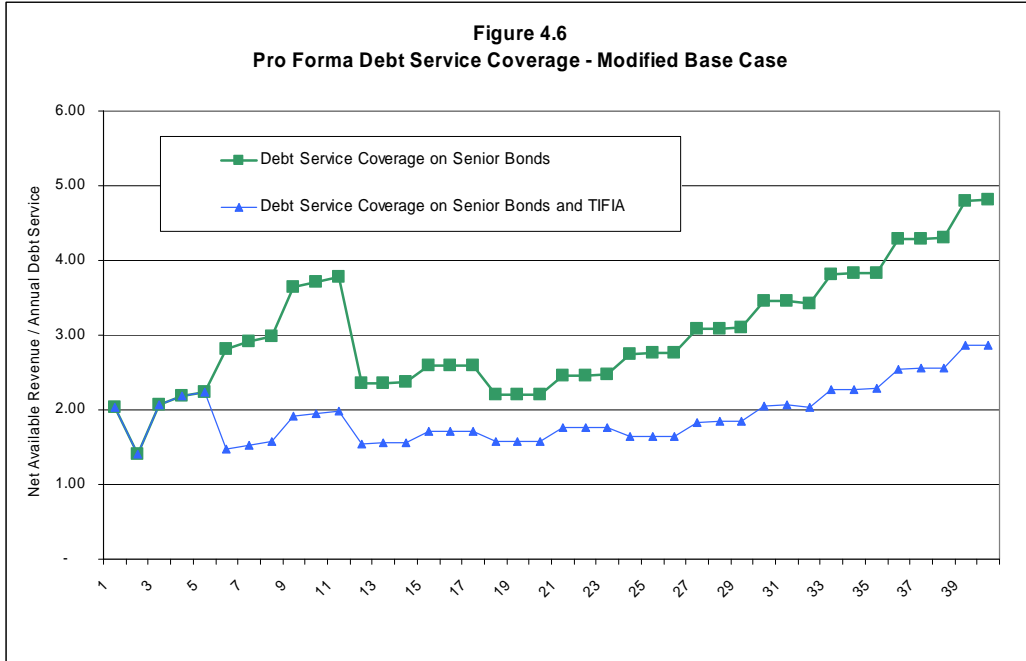


The senior toll revenue bonds begin to amortize in 2014, soon after the expected completion of Phase 1, and the debt was structured to achieve level annual debt service payments through 2048.

The amortization of principal on the subordinate TIFIA loan was assumed to begin in 2032 and the loan was fully repaid by 2048. The pro forma debt service coverage was over 3.50x during that period. The "backloaded" debt structure for a subordinated TIFIA loan facilitates future debt issuance and is consistent with previous TIFIA transactions secured by toll revenue. In December 2007, for example, USDOT approved a \$587 million TIFIA loan for the Capital Beltway HOT Lanes project that does not require any repayment of principal for 25 years.

The FTA financial capacity assessment criteria are not typically applied to toll financings where it is very common to use back-loaded debt structures that mirror the projected net revenue stream. Though it is premature to evaluate different debt structures, an alternative financing structure for the Phase 1 toll revenue debt is provided to facilitate FTA review. As shown in the figure below, debt service on the senior toll revenue bonds and subordinated TIFIA loan has been restructured to achieve level annual debt service after 25 years.





**Toll Elasticity Assumptions**

The toll diversion assumptions in the comprehensive traffic and revenue study that is underway will be based on the results of various surveys and analysis undertaken by professional traffic engineers. For purposes of the revised Base Case toll revenue forecast, the Airports Authority has assumed periodic toll increases and subsequent reductions in annual toll transactions through 2020. No traffic reduction is projected in the remaining years because the additional toll adjustments are assumed to track inflation, and the real value of the incremental toll increases will be far less.

**Ability to Secure Additional Funding for Phase 1**

The Fairfax County Dulles Rail Transportation Improvement District can generate the \$400 million contribution to Phase 1 with moderate growth in assessments and tax rates at or below 29 cents per \$100 of assessed value. State law allows the district tax rate to be increased to a maximum of 40 cents if necessary.

A financial capacity analysis shows that pro forma debt service coverage ratios can be maintained at levels above 1.40x for senior toll revenue bonds and 1.12x for all debt, including the TIFIA loan, even when another \$300 million of senior bonds is assumed to be issued. That analysis does not assume any increase in toll rates from the revised Base Case, but the ability to make adjustments to the toll schedule is significant credit strength. Gross annual toll revenue generated by the Dulles Toll Road increased by nearly 50% after the toll rate adjustment in 2005 (from \$44.8 million in FY 2005 to \$65.1 million in FY 2006). Under its agreements with the Commonwealth of Virginia, the Airports Authority will have the exclusive right to establish and collect tolls on the toll road. No consent or approval is required from any other entity for future toll rate increases.

In addition, the historic transportation revenue compromise reached in Virginia during the 2007 General Assembly Session (House Bill 3202) also provides additional funding for the Project and its partners. Included in this legislation are three actions that directly affect the Dulles Rail Project. First, dedicated transit operating funding is increased by \$45 million a year or more than 40 percent. Overall, WMATA receives over 50% of the Commonwealth's transit operating funds. Second, House Bill 3202 authorizes the Commonwealth Transportation Board to issue \$300 million in Commonwealth Transportation Capital Projects Bonds each year. With no additional legislation, the Commonwealth Transportation Board can dedicate additional bond proceeds to the Project. Third, the legislation dedicated \$50 million annually for WMATA capital improvements in Virginia. No additional authorizations are required for the bond proceeds to be used.

### ***Systemwide Capital Plan Assumptions***

WMATA has a more than 30-year history of local jurisdiction commitment to fund the construction and maintenance of the system. During the period covered by the Metro Matters funding agreement, from FY2005 thru FY2010, the local jurisdictions have committed to funding capital needs in excess of \$500 million per year. The projection of capital needs contained in the Dulles Project Preliminary Financial Plan is a reasonable continuation of that level of funding.

Overall, the Dulles Corridor Metrorail Project has minimal impact on the financial stability of the WMATA system and its capital program. The Project constitutes less than 4 percent of the entire WMATA Capital Improvement Program (CIP) between 2008 and 2013. WMATA will not incur capital cost associated with the Project until life-cycle rehabilitation programs begin in 2019. Rehabilitation of rolling stock will not commence until 2026.

The CIP is funded with Federal, state and local funds. For FY 2008 – FY 2013, an annual increase of 7.5 percent is assumed for the growth in Federal Formula Grant Funds. This rate assumed a rate of growth that is slightly higher than actual growth from 1997 to 2006, when the average annual growth of Federal grants for the WMATA CIP was 6.1 percent. For FY 2008, Federal funds are projected to be approximately \$237 million, based on actual appropriations. After 2015, a more conservative 3 percent annual increase of Federal Formula Grant Funds is assumed.

It is assumed that state and local funding will cover needs beyond that funded by anticipated Federal formula and discretionary funds. The long-term financial needs of WMATA, both operating and capital, were incorporated into the 2006 Financial Plan Update of the Constrained Long-Range Plan (CLRP) for the National Capital Regional Transportation Planning Board (TPB). The CLRP was reviewed and approved by the TPB on June 29, 2007 and was subsequently approved by the Federal Transit Administration and Federal Highway Administration. The CLRP is consistent with the Federal "maintenance first policy." A summary of 2007 CLRP Financial Plan has been provided under separate cover.

There is Federal legislation currently awaiting consideration by the full House (HR 401) and full Senate (S 1446) that would authorize \$1.5 billion in Federal appropriations to WMATA over a 10-year period. In return, WMATA's member localities must develop dedicated revenue sources to match the Federal funds. Virginia, Maryland and the District of Columbia have all taken actions to meet the requirements of this legislation:

- As noted previously, in 2007 the Virginia General Assembly approved as part of House Bill 3202 the dedication of an additional \$50 million per year to WMATA for capital needs as well as operating funding increases. Both of these funding increases are additional funding – there is a maintenance of effort requirement to assure that no other funding to WMATA is diminished.
- On April 27, 2006, Mayor Anthony Williams signed DC Bill 16-569, *the Washington Metropolitan Area Transportation Authority Fund Act of 2006*, which dedicates one half of one percent of the retail sales tax as established in DC to provide additional funding for maintaining and improving the transportation system of WMATA, and is subject to appropriation.
- The State of Maryland currently provides dedicated funding for WMATA through its state transportation trust fund as enacted by the Maryland General Assembly in its 2007 session.

These three funding sources, along with a sustained Federal partnership, will ensure that Metrorail's long-term maintenance and extension capital needs will continue to be addressed, as they have been over the past 40 years.

**TAB 2B**  
**OPERATING FINANCIAL PLAN**

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## **PHASE 1: WIEHLE AVENUE EXTENSION**

### **Operating Financial Plan**

**Additional Information to Support the Request for Final Design Approval**

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*Prepared by*

**Metropolitan Washington Airports Authority**

*in cooperation with*

**Washington Metropolitan Area Transit Authority**

**February 1, 2008**

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## OVERVIEW

Based on the strong commitment of operating funds, current condition of WMATA and reasonableness of the planning assumptions, the Operating Financial Plan is eligible for a “Medium” rating, consistent with the past two years. FTA reviews the following factors for local financial commitment:

- Proposed Non-Section 5309 New Starts Share of Project Costs;
- Stability and Reliability of Capital Financing Plan; and
- Stability and Reliability of Operating Financing Plan.

Because the Dulles Corridor Metrorail Project – Wiehle Avenue Extension (the Project) will be transferred to WMATA after construction is complete and become part of the Adopted Regional System, the long term operations and maintenance will be funded by the WMATA compact jurisdictions.

The Operating Financial Plan demonstrates the stability and reliability of the operating funds, and WMATA’s financial capacity to fund the operations and maintenance of the Dulles Project. The Operating Financial Plan also highlights the strong commitment by the WMATA Compact jurisdictions to meet the capital rehabilitation and replacement needs of the WMATA system.

These local sources are stable and sufficient to fund the incremental operating and maintenance requirements of the Dulles Project after it becomes part of the Adopted Regional System.

The purpose of this document is to provide additional information to assist FTA in evaluating the stability and reliability of the operating financial plan. The information is organized in sections addressing the four subfactors that contribute to the operating finance plan rating:

- Current operating financial condition of WMATA;
- Degree of commitment and availability of Non-Section 5309 New Starts funds;
- Reasonability of capital planning assumptions and cost estimates and financial capacity to cover capital cost increases or funding shortfalls.

The information in the Project’s Operating Financial Plan in September 2007 was taken directly from WMATA’s “Dulles Corridor Metrorail Project – Final Operating Financial Plan” (June 2007). The operating costs and revenues have been forecast by WMATA, and the resulting plan was approved by the WMATA Board on June 24, 2007, as referenced in the attached letter from WMATA.

FTA reviewed the WMATA’s Current Capital Condition, Capital Cost Estimates, and Financial Capacity in its assessment of the Project’s Capital Financial Plan.

## **CURRENT OPERATING CONDITION**

### **FTA GUIDANCE**

The current operating financial condition of the project sponsor and its funding partners is evaluated based on current audited financial statements and available cash balances and/or reserve funds. Another factor to consider when determining the current financial condition of the project sponsor is the current ratio, which is defined as current assets divided by current liabilities.

### **PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT**

**FY07 – High (5)**

**FY08 - High (5)**

### **KEY STRENGTHS NOTED IN PRIOR SUBMITTALS**

WMATA's current operating condition was rated "High", reflecting the agency's excellent liquidity; stable operating history; ratio of assets to liabilities; and history of service expansion.

### **ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA**

The Project has met FTA's requirements for a "Medium High" on Current Operating Condition.

At the time that the Final Design Request was submitted to FTA in September 2007, WMATA was exploring ways to address a projected \$173 million shortfall in the FY 2009 budget. WMATA instituted a number of cost containment actions and increases in state and local government subsidy assistance that would still leave a FY 2009 budget gap of about \$109 million. On December 13, 2007, the WMATA Board approved adjustments to fares and parking charges to generate the \$109 million needed to close the budget gap.

Based on ridership data posted on WMATA's website through January 29, 2008, Metro ridership has not experienced lower ridership due to the fare increase, when compared to the same period of 2007.

## **COMMITMENT OF OPERATING AND MAINTENANCE FUNDING**

### **FTA GUIDANCE**

The degree of commitment and availability of non-federal operating funds is evaluated based on the evidence of commitment provided by the project sponsor. Project sponsors are expected to have 100 percent of the O&M funding requirement committed before approval to enter final design.

## PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT

**FY07 - High (5)**  
**FY08 - High (5)**

### KEY STRENGTHS NOTED IN PRIOR SUBMITTALS

- Virtually all operating and maintenance funding for WMATA can be considered committed.
- These funds are considered committed because each member of the WMATA compact is obligated to pay its fair share off the system-wide operating subsidy.
- Once the project is adopted as part of the regional system, the operating formula would apply. The approach to funding the operating subsidy has been a stable and reliable source of operating fund, because the member jurisdictions are bound to it by their inclusion in the WMATA pact.

### ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA

The Operating Financial Plan meets FTA's requirements for a "High" rating on Commitment of Operating Funds.

## OPERATING COST ESTIMATES, PLANNING ASSUMPTIONS AND FINANCIAL CAPACITY

### FTA GUIDANCE

The evaluation of operating cost estimates and planning assumptions focuses on the sensitivity of the financial health of the agency with respect to the assumptions in the operating plan regarding ridership and revenue forecasts, socio-economic conditions, cost inflation, and the reasonability of the operating cost estimates. To determine the rating for this subfactor, FTA weighs the reasonableness of the assumptions against the financial capacity of the project sponsor, placing more emphasis on the assumptions.

## PREVIOUS RATINGS FOR THE DULLES CORRIDOR METRORAIL PROJECT

**FY07 -           Medium (3) for Financial Capacity**  
**Medium (3) for Estimates and Assumptions**

**FY08 -           Medium (3) for Financial Capacity**  
**Medium (3) for Estimates and Assumptions**

## **KEY STRENGTHS NOTED IN PRIOR SUBMITTALS**

The Project will have a modest effect on operating expenditures. The Project accounts for only 3.5% of WMATA systemwide annual operating expenses in the first full year of operations. By FY 2030, the Project would add \$16.2 million, or 1.5%, to the WMATA system-wide subsidy requirements.

WMATA is projecting adequate resources from committed sources to operate and maintain the project, while continuing to fund the operations and maintenance program for the existing transit system.

A comparison of the operating ratios in the financial plan with historical ratios indicate consistency between historical and projected revenues. Also, forecasted operating subsidies are consistent with historical data.

## **ADDITIONAL INFORMATION FOR CONSIDERATION BY FTA**

The Operating Financial Plan meets FTA's requirements for "Medium" on Operating Cost Estimates, Planning Assumptions and Financial Capacity. The following sections provide additional detail on the forecast of operating and maintenance costs, and the assumptions regarding WMATA's liquidity.

### ***Forecast of O&M Costs***

The forecasts for the bus unit costs cannot be evaluated simply by comparing them to historical figures. Between 2001 and 2005, the average bus fleet age for WMATA was much higher than it is now. Recent bus procurements have brought the fleet age down and a regular program of bus replacement is planned. The decrease in fleet age is expected to maintain a lower growth in bus unit costs.

### ***Assumptions for WMATA Working Capital***

The Metro Matters funding agreement shifted WMATA from an obligation-based to an expense-based capital program. The reduction in working capital balances is in fact prudent fiscal management by WMATA to reduce idle cash balances and convert capital programming to a cash flow basis. This change was codified and voted by each of the jurisdictions and helped bring WMATA into the modern era of public finance. The Authority has sufficient contingency or lines of credit to ensure adequate cash flow.

**TAB 2C**  
**APPENDICES**

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2A - Technical Support for Supplemental Capital Plan Information

2B - Letter from John Catoe, General Manager of WMATA, With Information  
Concerning WMATA's Financial Commitment

2C - Financial Plan Overview – 2007 Constrained Long Range Plan

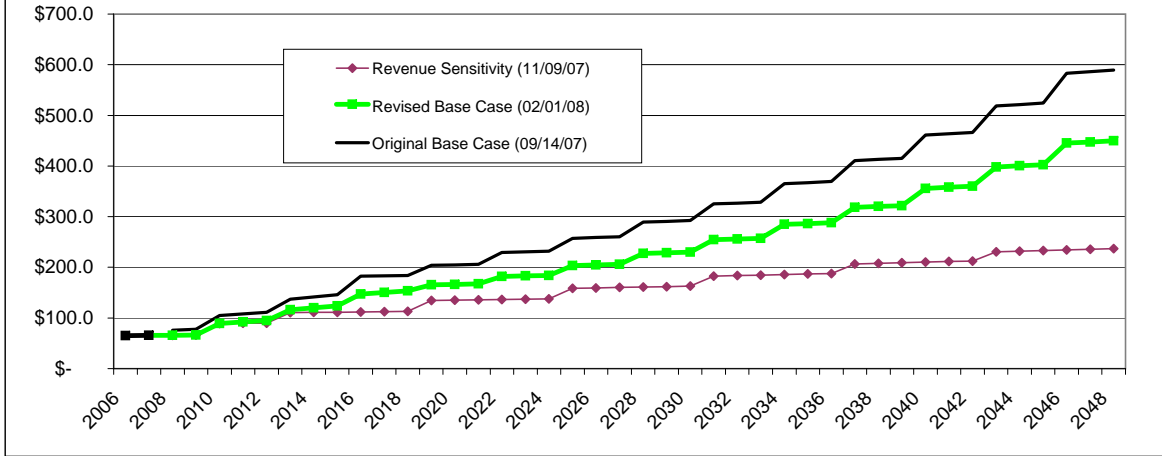
2D- Credit Ratings for the Airports Authority

## **APPENDIX 2A**

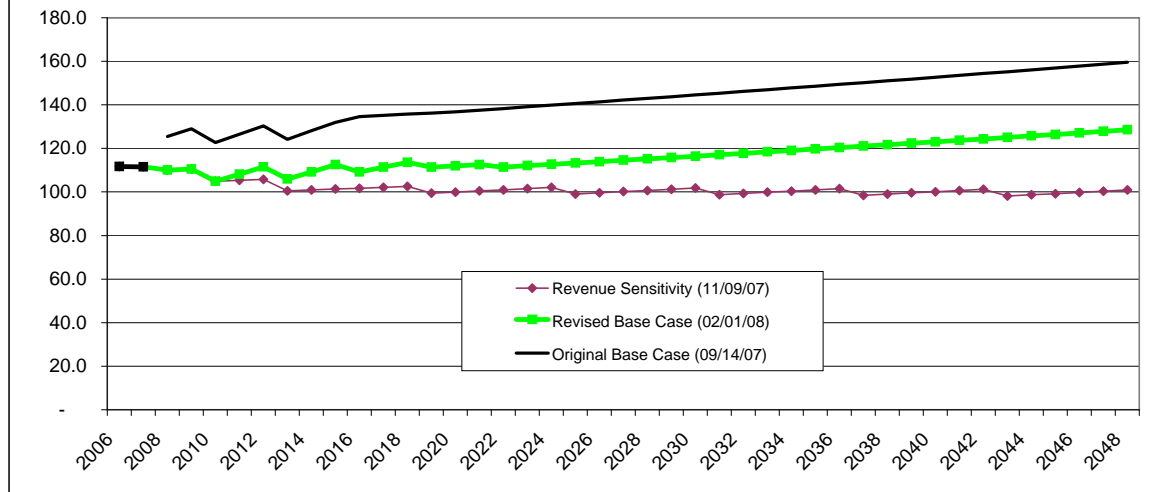
### **Technical Support for Supplemental Capital Plan Information**

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**Figure 4.1**  
**Comparison of Gross Toll Revenue Assumptions**  
 (\$Millions)



**Figure 4.2**  
**Comparison of Annual Toll Transaction Assumptions**  
 (Millions)



## DULLES TOLL ROAD - PRO FORMA CASHFLOW (1)

|   | 2008     | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 Annual Toll Transactions (Millions)             | 110.0    | 110.5  | 104.9  | 108.2  | 111.5  | 105.9  | 109.2  | 112.6  | 109.2  | 111.4  | 113.6  |
| 2 Average Toll Rate                               | \$0.60   | \$0.60 | \$0.85 | \$0.85 | \$0.85 | \$1.10 | \$1.10 | \$1.10 | \$1.35 | \$1.35 | \$1.35 |
| 3 GROSS TOLL REVENUE (\$Millions)                 | 66.00    | 66.27  | 89.19  | 91.98  | 94.79  | 116.53 | 120.17 | 123.84 | 147.43 | 150.38 | 153.38 |
| 4 Investment Earnings                             | 2.81     | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   |
| 5 TOTAL REVENUE                                   | \$ 68.81 | 70.40  | 93.32  | 96.10  | 98.91  | 120.66 | 124.30 | 127.97 | 151.55 | 154.50 | 157.51 |
| 6 Annual Growth                                   |          | 2.3%   | 32.6%  | 3.0%   | 2.9%   | 22.0%  | 3.0%   | 3.0%   | 18.4%  | 1.9%   | 1.9%   |
| 7   |          |        |        |        |        |        |        |        |        |        |        |
| 8 Operating Expenses                              | 15.08    | 15.83  | 16.63  | 14.95  | 15.80  | 16.69  | 16.82  | 17.78  | 17.38  | 17.90  | 18.44  |
| 9 Capital Maintenance Expenses                    | 3.90     | 4.01   | 2.28   | 2.35   | 2.42   | 2.50   | 2.57   | 2.65   | 2.73   | 2.81   | 2.89   |
| 10 TOTAL OPERATING EXPENSES (2)                   | \$ 18.98 | 19.85  | 18.91  | 17.30  | 18.22  | 19.19  | 19.39  | 20.43  | 20.10  | 20.71  | 21.33  |
| 11 Annual Growth                                  |          | 4.6%   | -4.7%  | -8.5%  | 5.3%   | 5.3%   | 1.0%   | 5.4%   | -1.6%  | 3.0%   | 3.0%   |
| 12  |          |        |        |        |        |        |        |        |        |        |        |
| 13 NET REVENUE AVAILABLE FOR DEBT SERVICE         | \$ 49.83 | 50.55  | 74.40  | 78.80  | 80.69  | 101.47 | 104.91 | 107.54 | 131.45 | 133.79 | 136.18 |
| 14  |          |        |        |        |        |        |        |        |        |        |        |
| 15 Debt Service on Senior Toll Revenue Bonds (3)  | \$ 24.51 | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  |
| 16 Debt Service Coverage on Senior Debt           | 2.03 x   | 1.40 x | 2.07 x | 2.19 x | 2.24 x | 2.82 x | 2.91 x | 2.99 x | 3.65 x | 3.72 x | 3.78 x |
| 17  |          |        |        |        |        |        |        |        |        |        |        |
| 18 Payments on Subordinated TIFIA Loan (4)        | \$ -     | -      | -      | -      | -      | 32.56  | 32.56  | 32.56  | 32.56  | 32.56  | 32.56  |
| 19 Debt Service Coverage on Senior Debt and TIFIA | 2.03 x   | 1.40 x | 2.07 x | 2.19 x | 2.24 x | 1.48 x | 1.53 x | 1.57 x | 1.92 x | 1.95 x | 1.99 x |
| 20  |          |        |        |        |        |        |        |        |        |        |        |
| 21 Net Revenue Available after Debt Service (5)   | \$ 25.33 | 14.54  | 38.39  | 42.80  | 44.68  | 32.90  | 36.34  | 38.97  | 62.88  | 65.23  | 67.62  |

(1) Pro forma cash flow with revised revenue assumptions that reflect recent experience..

(2) Preliminary assumptions based on VDOT operating history. The Airports Authority has retained Carter Burgess to assist in developing updated projections for operating and maintenance expenses.

(3) Assumes two series of senior toll revenue bonds are issued in 2008: one to refinance \$150 million of bond anticipation notes the Airports Authority expects to issue to fund costs associated with acquiring and improving the Dulles Toll Road and another to fund approximately \$650 million of Phase 1 project costs. Interest rate assumption for the insured tax-exempt current interest bonds is 5.25% and 5.75% for capital appreciation bonds.

(4) Assumes a TIFIA loan is secured to fund approximately \$510 million of Phase 1 project costs. Assumed interest rate is 5.25%.

(5) These amounts are required to be deposited in various reserve accounts, used for Dulles Corridor capital improvements or used for eligible Dulles Corridor transit operation costs.

**DULLES TOLL ROAD - PRO FORMA CASHFLOW, continued (1)**



|   | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | 2025          | 2026          | 2027          | 2028          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Annual Toll Transactions (Millions)                   | 111.3         | 112.0         | 112.6         | 111.4         | 112.1         | 112.7         | 113.3         | 113.9         | 114.5         | 115.2         |
| Average Toll Rate                                     | \$1.49        | \$1.49        | \$1.49        | \$1.63        | \$1.63        | \$1.63        | \$1.80        | \$1.80        | \$1.80        | \$1.98        |
| GROSS TOLL REVENUE (\$Millions)                       | 165.35        | 166.26        | 167.17        | 182.05        | 183.05        | 184.06        | 203.58        | 204.70        | 205.82        | 227.65        |
| Investment Earnings                                   | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          |
| <b>TOTAL REVENUE (2)</b>                              | <b>169.47</b> | <b>170.38</b> | <b>171.30</b> | <b>186.17</b> | <b>187.18</b> | <b>188.18</b> | <b>207.70</b> | <b>208.82</b> | <b>209.95</b> | <b>231.78</b> |
| <i>Annual Growth</i>                                  | 7.6%          | 0.5%          | 0.5%          | 8.7%          | 0.5%          | 0.5%          | 10.4%         | 0.5%          | 0.5%          | 10.4%         |
| Operating Expenses                                    | 18.99         | 19.56         | 20.15         | 20.75         | 21.37         | 22.01         | 22.67         | 23.35         | 24.05         | 24.78         |
| Capital Maintenance Expenses                          | 2.98          | 3.07          | 3.16          | 3.26          | 3.35          | 3.45          | 3.56          | 3.66          | 3.77          | 3.89          |
| <b>TOTAL OPERATING EXPENSES (3)</b>                   | <b>21.97</b>  | <b>22.63</b>  | <b>23.31</b>  | <b>24.01</b>  | <b>24.73</b>  | <b>25.47</b>  | <b>26.23</b>  | <b>27.02</b>  | <b>27.83</b>  | <b>28.66</b>  |
| <i>Annual Growth</i>                                  | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          |
| <b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>         | <b>147.50</b> | <b>147.75</b> | <b>147.99</b> | <b>162.17</b> | <b>162.45</b> | <b>162.72</b> | <b>181.47</b> | <b>181.80</b> | <b>182.12</b> | <b>203.11</b> |
| Debt Service on Senior Toll Revenue Bonds (4)         | 62.56         | 62.56         | 62.56         | 62.56         | 62.56         | 62.56         | 82.56         | 82.56         | 82.56         | 82.56         |
| <b>Debt Service Coverage on Senior Debt</b>           | <b>2.36 x</b> | <b>2.36 x</b> | <b>2.37 x</b> | <b>2.59 x</b> | <b>2.60 x</b> | <b>2.60 x</b> | <b>2.20 x</b> | <b>2.20 x</b> | <b>2.21 x</b> | <b>2.46 x</b> |
| Payments on Subordinated TIFIA Loan (5)               | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         |
| <b>Debt Service Coverage on Senior Debt and TIFIA</b> | <b>1.55 x</b> | <b>1.55 x</b> | <b>1.56 x</b> | <b>1.70 x</b> | <b>1.71 x</b> | <b>1.71 x</b> | <b>1.58 x</b> | <b>1.58 x</b> | <b>1.58 x</b> | <b>1.76 x</b> |
| Net Revenue Available after Debt Service (6)          | 52.39         | 52.64         | 52.87         | 67.05         | 67.33         | 67.60         | 66.36         | 66.69         | 67.00         | 87.99         |

(1) Pro forma cash flow with revised revenue assumptions that reflect recent experience..

(2) Preliminary assumptions based on VDOT operating history. The Airports Authority has retained Carter Burgess to assist in developing updated projections for operating and maintenance expenses.

(3) Assumes two series of senior toll revenue bonds are issued in 2008: one to refinance \$150 million of bond anticipation notes the Airports Authority expects to issue to fund costs associated with acquiring and improving the Dulles Toll Road and another to fund approximately \$650 million of Phase 1 project costs. Interest rate assumption for the insured tax-exempt current interest bonds is 5.25% and 5.75% for capital appreciation bonds.

(4) Assumes a TIFIA loan is secured to fund approximately \$510 million of Phase 1 project costs. Assumed interest rate is 5.25%.

(5) These amounts are required to be deposited in various reserve accounts, used for Dulles Corridor capital improvements or used for eligible Dulles Corridor transit operation costs.

## DULLES TOLL ROAD - PRO FORMA CASHFLOW with \$300 Million Additional Debt (1)

|   | 2008     | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 Annual Toll Transactions (Millions)             | 110.0    | 110.5  | 104.9  | 108.2  | 111.5  | 105.9  | 109.2  | 112.6  | 109.2  | 111.4  | 113.6  |
| 2 Average Toll Rate                               | \$0.60   | \$0.60 | \$0.85 | \$0.85 | \$0.85 | \$1.10 | \$1.10 | \$1.10 | \$1.35 | \$1.35 | \$1.35 |
| 3 GROSS TOLL REVENUE (\$Millions)                 | 66.00    | 66.27  | 89.19  | 91.98  | 94.79  | 116.53 | 120.17 | 123.84 | 147.43 | 150.38 | 153.38 |
| 4 Investment Earnings                             | 2.81     | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   | 4.13   |
| 5 TOTAL REVENUE                                   | \$ 68.81 | 70.40  | 93.32  | 96.10  | 98.91  | 120.66 | 124.30 | 127.97 | 151.55 | 154.50 | 157.51 |
| 6 Annual Growth                                   |          | 2.3%   | 32.6%  | 3.0%   | 2.9%   | 22.0%  | 3.0%   | 3.0%   | 18.4%  | 1.9%   | 1.9%   |
| 7   |          |        |        |        |        |        |        |        |        |        |        |
| 8 Operating Expenses                              | 15.08    | 15.83  | 16.63  | 14.95  | 15.80  | 16.69  | 16.82  | 17.78  | 17.38  | 17.90  | 18.44  |
| 9 Capital Maintenance Expenses                    | 3.90     | 4.01   | 2.28   | 2.35   | 2.42   | 2.50   | 2.57   | 2.65   | 2.73   | 2.81   | 2.89   |
| 10 TOTAL OPERATING EXPENSES (2)                   | \$ 18.98 | 19.85  | 18.91  | 17.30  | 18.22  | 19.19  | 19.39  | 20.43  | 20.10  | 20.71  | 21.33  |
| 11 Annual Growth                                  |          | 4.6%   | -4.7%  | -8.5%  | 5.3%   | 5.3%   | 1.0%   | 5.4%   | -1.6%  | 3.0%   | 3.0%   |
| 12  |          |        |        |        |        |        |        |        |        |        |        |
| 13 NET REVENUE AVAILABLE FOR DEBT SERVICE         | \$ 49.83 | 50.55  | 74.40  | 78.80  | 80.69  | 101.47 | 104.91 | 107.54 | 131.45 | 133.79 | 136.18 |
| 14  |          |        |        |        |        |        |        |        |        |        |        |
| 15 Debt Service on Senior Toll Revenue Bonds (3)  | \$ 24.51 | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  | 36.01  |
| 16 Debt Service Coverage on Senior Debt           | 2.03 x   | 1.40 x | 2.07 x | 2.19 x | 2.24 x | 2.82 x | 2.91 x | 2.99 x | 3.65 x | 3.72 x | 3.78 x |
| 17  |          |        |        |        |        |        |        |        |        |        |        |
| 18 Payments on Subordinated TIFIA Loan (4)        | \$ -     | -      | -      | -      | -      | 32.56  | 32.56  | 32.56  | 32.56  | 32.56  | 32.56  |
| 19 Debt Service Coverage on Senior Debt and TIFIA | 2.03 x   | 1.40 x | 2.07 x | 2.19 x | 2.24 x | 1.48 x | 1.53 x | 1.57 x | 1.92 x | 1.95 x | 1.99 x |
| 20  |          |        |        |        |        |        |        |        |        |        |        |
| 21 Net Revenue Available after Debt Service (5)   | \$ 25.33 | 14.54  | 38.39  | 42.80  | 44.68  | 32.90  | 36.34  | 38.97  | 62.88  | 65.23  | 67.62  |

(1) Pro forma cash flow with revised revenue assumptions that reflect recent experience..

(2) Preliminary assumptions based on VDOT operating history. The Airports Authority has retained Carter Burgess to assist in developing updated projections for operating and maintenance expenses.

(3) Assumes two series of senior toll revenue bonds are issued in 2008: one to refinance \$150 million of bond anticipation notes the Airports Authority expects to issue to fund costs associated with acquiring and improving the Dulles Toll Road and another to fund approximately \$950 million of Phase 1 project costs. Interest rate assumption for the insured tax-exempt current interest bonds is 5.25% and 5.75% for capital appreciation bonds.

(4) Assumes a TIFIA loan is secured to fund approximately \$510 million of Phase 1 project costs. Assumed interest rate is 5.25%.

(5) These amounts are required to be deposited in various reserve accounts, used for Dulles Corridor capital improvements or used for eligible Dulles Corridor transit operation costs.

**DULLES TOLL ROAD - PRO FORMA CASHFLOW with \$300 Million Additional Debt, continued (1)**

|   | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          | 2025          | 2026          | 2027          | 2028          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Annual Toll Transactions (Millions)                   | 111.3         | 112.0         | 112.6         | 111.4         | 112.1         | 112.7         | 113.3         | 113.9         | 114.5         | 115.2         |
| Average Toll Rate                                     | \$1.49        | \$1.49        | \$1.49        | \$1.63        | \$1.63        | \$1.63        | \$1.80        | \$1.80        | \$1.80        | \$1.98        |
| GROSS TOLL REVENUE (\$Millions)                       | 165.35        | 166.26        | 167.17        | 182.05        | 183.05        | 184.06        | 203.58        | 204.70        | 205.82        | 227.65        |
| Investment Earnings                                   | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          | 4.13          |
| <b>TOTAL REVENUE (2)</b>                              | <b>169.47</b> | <b>170.38</b> | <b>171.30</b> | <b>186.17</b> | <b>187.18</b> | <b>188.18</b> | <b>207.70</b> | <b>208.82</b> | <b>209.95</b> | <b>231.78</b> |
| <i>Annual Growth</i>                                  | 7.6%          | 0.5%          | 0.5%          | 8.7%          | 0.5%          | 0.5%          | 10.4%         | 0.5%          | 0.5%          | 10.4%         |
| Operating Expenses                                    | 18.99         | 19.56         | 20.15         | 20.75         | 21.37         | 22.01         | 22.67         | 23.35         | 24.05         | 24.78         |
| Capital Maintenance Expenses                          | 2.98          | 3.07          | 3.16          | 3.26          | 3.35          | 3.45          | 3.56          | 3.66          | 3.77          | 3.89          |
| <b>TOTAL OPERATING EXPENSES (3)</b>                   | <b>21.97</b>  | <b>22.63</b>  | <b>23.31</b>  | <b>24.01</b>  | <b>24.73</b>  | <b>25.47</b>  | <b>26.23</b>  | <b>27.02</b>  | <b>27.83</b>  | <b>28.66</b>  |
| <i>Annual Growth</i>                                  | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          |
| <b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>         | <b>147.50</b> | <b>147.75</b> | <b>147.99</b> | <b>162.17</b> | <b>162.45</b> | <b>162.72</b> | <b>181.47</b> | <b>181.80</b> | <b>182.12</b> | <b>203.11</b> |
| Debt Service on Senior Toll Revenue Bonds (4)         | 98.98         | 98.98         | 98.98         | 108.98        | 108.98        | 108.98        | 128.98        | 128.98        | 128.98        | 128.98        |
| <b>Debt Service Coverage on Senior Debt</b>           | <b>1.49 x</b> | <b>1.49 x</b> | <b>1.50 x</b> | <b>1.49 x</b> | <b>1.49 x</b> | <b>1.49 x</b> | <b>1.41 x</b> | <b>1.41 x</b> | <b>1.41 x</b> | <b>1.57 x</b> |
| Payments on Subordinated TIFIA Loan (5)               | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         | 32.56         |
| <b>Debt Service Coverage on Senior Debt and TIFIA</b> | <b>1.12 x</b> | <b>1.12 x</b> | <b>1.13 x</b> | <b>1.15 x</b> | <b>1.15 x</b> | <b>1.15 x</b> | <b>1.12 x</b> | <b>1.13 x</b> | <b>1.13 x</b> | <b>1.26 x</b> |
| Net Revenue Available after Debt Service (6)          | 15.97         | 16.22         | 16.45         | 20.64         | 20.91         | 21.18         | 19.94         | 20.27         | 20.59         | 41.58         |

(1) Pro forma cash flow with revised revenue assumptions that reflect recent experience..

(2) Preliminary assumptions based on VDOT operating history. The Airports Authority has retained Carter Burgess to assist in developing updated projections for operating and maintenance expenses.

(3) Assumes two series of senior toll revenue bonds are issued in 2008: one to refinance \$150 million of bond anticipation notes the Airports Authority expects to issue to fund costs associated with acquiring and improving the Dulles Toll Road and another to fund approximately \$650 million of Phase 1 project costs. Interest rate assumption for the insured tax-exempt current interest bonds is 5.25% and 5.75% for capital appreciation bonds.

(4) Assumes a TIFIA loan is secured to fund approximately \$510 million of Phase 1 project costs. Assumed interest rate is 5.25%.

(5) These amounts are required to be deposited in various reserve accounts, used for Dulles Corridor capital improvements or used for eligible Dulles Corridor transit operation costs.

**DULLES CORRIDOR METRORAIL PROJECT**

**Revised Base Case**

| period ending | Senior Toll Revenue Bonds<br>(Refinance BANs) |        |                      |                      | Senior Toll Revenue Bonds<br>(Rail) |        |                      |                        |
|---------------|---|--------|----------------------|----------------------|-------------------------------------|--------|----------------------|------------------------|
|               | Principal                                     | Coupon | Interest             | Total                | Principal                           | Coupon | Interest             | Total                  |
| 1/1/2008      |   |        |                      |                      |                                     |        |                      |                        |
| 1 1/1/2009    |   |        | 5,947,656            | <b>5,947,656</b>     |                                     |        | 18,557,729           | <b>18,557,729</b>      |
| 2 1/1/2010    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 3 1/1/2011    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 4 1/1/2012    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 5 1/1/2013    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 6 1/1/2014    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 7 1/1/2015    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 8 1/1/2016    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 9 1/1/2017    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 10 1/1/2018   | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 11 1/1/2019   | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 12 1/1/2020   | 2,565,000                                     | 5.250% | 8,739,413            | <b>11,304,413</b>    | 7,995,000                           | 5.250% | 27,268,500           | <b>35,263,500</b>      |
| 13 1/1/2021   | 2,700,000                                     | 5.250% | 8,604,750            | <b>11,304,750</b>    | 8,415,000                           | 5.250% | 26,848,763           | <b>35,263,763</b>      |
| 14 1/1/2022   | 2,840,000                                     | 5.250% | 8,463,000            | <b>11,303,000</b>    | 8,855,000                           | 5.250% | 26,406,975           | <b>35,261,975</b>      |
| 15 1/1/2023   | 2,990,000                                     | 5.250% | 8,313,900            | <b>11,303,900</b>    | 9,320,000                           | 5.250% | 25,942,088           | <b>35,262,088</b>      |
| 16 1/1/2024   | 3,145,000                                     | 5.250% | 8,156,925            | <b>11,301,925</b>    | 9,815,000                           | 5.250% | 25,452,788           | <b>35,267,788</b>      |
| 17 1/1/2025   | 3,310,000                                     | 5.250% | 7,991,813            | <b>11,301,813</b>    | 10,330,000                          | 5.250% | 24,937,500           | <b>35,267,500</b>      |
| 18 1/1/2026   | 3,485,000                                     | 5.250% | 7,818,038            | <b>11,303,038</b>    | 10,870,000                          | 5.250% | 24,395,175           | <b>35,265,175</b>      |
| 19 1/1/2027   | 3,665,000                                     | 5.250% | 7,635,075            | <b>11,300,075</b>    | 11,445,000                          | 5.250% | 23,824,500           | <b>35,269,500</b>      |
| 20 1/1/2028   | 3,860,000                                     | 5.250% | 7,442,663            | <b>11,302,663</b>    | 12,040,000                          | 5.250% | 23,223,638           | <b>35,263,638</b>      |
| 21 1/1/2029   | 4,060,000                                     | 5.250% | 7,240,013            | <b>11,300,013</b>    | 12,675,000                          | 5.250% | 22,591,538           | <b>35,266,538</b>      |
| 22 1/1/2030   | 4,275,000                                     | 5.250% | 7,026,863            | <b>11,301,863</b>    | 13,340,000                          | 5.250% | 21,926,100           | <b>35,266,100</b>      |
| 23 1/1/2031   | 4,500,000                                     | 5.250% | 6,802,425            | <b>11,302,425</b>    | 14,040,000                          | 5.250% | 21,225,750           | <b>35,265,750</b>      |
| 24 1/1/2032   | 4,735,000                                     | 5.250% | 6,566,175            | <b>11,301,175</b>    | 14,775,000                          | 5.250% | 20,488,650           | <b>35,263,650</b>      |
| 25 1/1/2033   | 4,985,000                                     | 5.250% | 6,317,588            | <b>11,302,588</b>    | 15,550,000                          | 5.250% | 19,712,963           | <b>35,262,963</b>      |
| 26 1/1/2034   | 5,245,000                                     | 5.250% | 6,055,875            | <b>11,300,875</b>    | 16,370,000                          | 5.250% | 18,896,588           | <b>35,266,588</b>      |
| 27 1/1/2035   | 5,520,000                                     | 5.250% | 5,780,513            | <b>11,300,513</b>    | 17,230,000                          | 5.250% | 18,037,163           | <b>35,267,163</b>      |
| 28 1/1/2036   | 5,810,000                                     | 5.250% | 5,490,713            | <b>11,300,713</b>    | 18,135,000                          | 5.250% | 17,132,588           | <b>35,267,588</b>      |
| 29 1/1/2037   | 6,115,000                                     | 5.250% | 5,185,688            | <b>11,300,688</b>    | 19,085,000                          | 5.250% | 16,180,500           | <b>35,265,500</b>      |
| 30 1/1/2038   | 6,435,000                                     | 5.250% | 4,864,650            | <b>11,299,650</b>    | 20,090,000                          | 5.250% | 15,178,538           | <b>35,268,538</b>      |
| 31 1/1/2039   | 6,775,000                                     | 5.250% | 4,526,813            | <b>11,301,813</b>    | 21,140,000                          | 5.250% | 14,123,813           | <b>35,263,813</b>      |
| 32 1/1/2040   | 7,130,000                                     | 5.250% | 4,171,125            | <b>11,301,125</b>    | 22,250,000                          | 5.250% | 13,013,963           | <b>35,263,963</b>      |
| 33 1/1/2041   | 7,505,000                                     | 5.250% | 3,796,800            | <b>11,301,800</b>    | 23,420,000                          | 5.250% | 11,845,838           | <b>35,265,838</b>      |
| 34 1/1/2042   | 7,900,000                                     | 5.250% | 3,402,788            | <b>11,302,788</b>    | 24,650,000                          | 5.250% | 10,616,288           | <b>35,266,288</b>      |
| 35 1/1/2043   | 8,315,000                                     | 5.250% | 2,988,038            | <b>11,303,038</b>    | 25,940,000                          | 5.250% | 9,322,163            | <b>35,262,163</b>      |
| 36 1/1/2044   | 8,750,000                                     | 5.250% | 2,551,500            | <b>11,301,500</b>    | 27,305,000                          | 5.250% | 7,960,313            | <b>35,265,313</b>      |
| 37 1/1/2045   | 9,210,000                                     | 5.250% | 2,092,125            | <b>11,302,125</b>    | 28,740,000                          | 5.250% | 6,526,800            | <b>35,266,800</b>      |
| 38 1/1/2046   | 9,695,000                                     | 5.250% | 1,608,600            | <b>11,303,600</b>    | 30,245,000                          | 5.250% | 5,017,950            | <b>35,262,950</b>      |
| 39 1/1/2047   | 10,205,000                                    | 5.250% | 1,099,613            | <b>11,304,613</b>    | 31,830,000                          | 5.250% | 3,430,088            | <b>35,260,088</b>      |
| 40 1/1/2048   | 10,740,000                                    | 5.250% | 563,850              | <b>11,303,850</b>    | 33,505,000                          | 5.250% | 1,759,013            | <b>35,264,013</b>      |
| 41 1/1/2049   |   |        |                      |                      |                                     |        |                      |                        |
| 42 1/1/2050   |   |        |                      |                      |                                     |        |                      |                        |
| 43 1/1/2051   |   |        |                      |                      |                                     |        |                      |                        |
| 44 1/1/2052   |   |        |                      |                      |                                     |        |                      |                        |
| 45 1/1/2053   |   |        |                      |                      |                                     |        |                      |                        |
| 46 1/1/2054   |   |        |                      |                      |                                     |        |                      |                        |
| 47 1/1/2055   |   |        |                      |                      |                                     |        |                      |                        |
| 48 1/1/2056   |   |        |                      |                      |                                     |        |                      |                        |
| 49 1/1/2057   |   |        |                      |                      |                                     |        |                      |                        |
| 50 1/1/2058   |   |        |                      |                      |                                     |        |                      |                        |
| 51 1/1/2059   |   |        |                      |                      |                                     |        |                      |                        |
|               | <b>\$166,465,000</b>                          |        | <b>\$254,639,106</b> | <b>\$421,104,106</b> | <b>\$519,400,000</b>                |        | <b>\$794,529,254</b> | <b>\$1,313,929,254</b> |

**DULLES CORRIDOR METRORAIL PROJECT**  
 Revised Base Case

**Senior Debt Service - DTR**

| period ending | Senior Toll Revenue Bonds<br>(Rail - Capital Appreciation Bonds) |        |        |                      |                      | TOTAL SENIOR DEBT SERVICE |
|---------------|--|--------|--------|----------------------|----------------------|---------------------------|
|               | Principal  | Coupon | Yield  | Interest             | Total                |                           |
| 1/1/2008      |  |        |        |                      |                      |                           |
| 1 1/1/2009    |  |        |        |                      |                      | 24,505,385                |
| 2 1/1/2010    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 3 1/1/2011    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 4 1/1/2012    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 5 1/1/2013    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 6 1/1/2014    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 7 1/1/2015    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 8 1/1/2016    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| 9 1/1/2017    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| # 1/1/2018    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| # 1/1/2019    | -  | 0.000% | 5.750% | -                    | -                    | 36,007,913                |
| # 1/1/2020    | 8,253,130  | 0.000% | 5.750% | 7,736,870            | 15,990,000           | 62,557,913                |
| # 1/1/2021    | 7,798,283  | 0.000% | 5.750% | 8,191,717            | 15,990,000           | 62,558,513                |
| # 1/1/2022    | 7,370,807  | 0.000% | 5.750% | 8,624,193            | 15,995,000           | 62,559,975                |
| # 1/1/2023    | 6,964,587  | 0.000% | 5.750% | 9,030,413            | 15,995,000           | 62,560,988                |
| # 1/1/2024    | 6,578,697  | 0.000% | 5.750% | 9,411,303            | 15,990,000           | 62,559,713                |
| # 1/1/2025    | 6,216,131  | 0.000% | 5.750% | 9,773,869            | 15,990,000           | 62,559,313                |
| # 1/1/2026    | 13,220,074   | 0.000% | 5.750% | 22,769,926           | 35,990,000           | 82,558,213                |
| # 1/1/2027    | 12,491,488   | 0.000% | 5.750% | 23,498,512           | 35,990,000           | 82,559,575                |
| # 1/1/2028    | 11,804,696   | 0.000% | 5.750% | 24,190,304           | 35,995,000           | 82,561,300                |
| # 1/1/2029    | 11,154,115   | 0.000% | 5.750% | 24,840,885           | 35,995,000           | 82,561,550                |
| # 1/1/2030    | 10,537,925   | 0.000% | 5.750% | 25,452,075           | 35,990,000           | 82,557,963                |
| # 1/1/2031    | 9,957,158  | 0.000% | 5.750% | 26,032,842           | 35,990,000           | 82,558,175                |
| # 1/1/2032    | 9,409,705  | 0.000% | 5.750% | 26,585,295           | 35,995,000           | 82,559,825                |
| # 1/1/2033    | 8,891,117  | 0.000% | 5.750% | 27,103,883           | 35,995,000           | 82,560,550                |
| # 1/1/2034    | 8,401,109  | 0.000% | 5.750% | 27,593,891           | 35,995,000           | 82,562,463                |
| # 1/1/2035    | 7,937,004  | 0.000% | 5.750% | 28,052,996           | 35,990,000           | 82,557,675                |
| # 1/1/2036    | 7,499,579  | 0.000% | 5.750% | 28,490,421           | 35,990,000           | 82,558,300                |
| # 1/1/2037    | 7,087,247  | 0.000% | 5.750% | 28,907,753           | 35,995,000           | 82,561,188                |
| # 1/1/2038    | 6,695,724  | 0.000% | 5.750% | 29,294,276           | 35,990,000           | 82,558,188                |
| # 1/1/2039    | 6,327,587  | 0.000% | 5.750% | 29,667,413           | 35,995,000           | 82,560,625                |
| # 1/1/2040    | 5,978,861  | 0.000% | 5.750% | 30,016,139           | 35,995,000           | 82,560,088                |
| # 1/1/2041    | 5,648,569  | 0.000% | 5.750% | 30,341,431           | 35,990,000           | 82,557,638                |
| # 1/1/2042    | 5,337,265  | 0.000% | 5.750% | 30,652,735           | 35,990,000           | 82,559,075                |
| # 1/1/2043    | 5,043,818  | 0.000% | 5.750% | 30,951,182           | 35,995,000           | 82,560,200                |
| # 1/1/2044    | 4,765,842  | 0.000% | 5.750% | 31,229,158           | 35,995,000           | 82,561,813                |
| # 1/1/2045    | 4,502,561  | 0.000% | 5.750% | 31,487,439           | 35,990,000           | 82,558,925                |
| # 1/1/2046    | 4,255,007  | 0.000% | 5.750% | 31,739,993           | 35,995,000           | 82,561,550                |
| # 1/1/2047    | 4,020,505  | 0.000% | 5.750% | 31,974,495           | 35,995,000           | 82,559,700                |
| # 1/1/2048    | 3,798,399  | 0.000% | 5.750% | 32,191,601           | 35,990,000           | 82,557,863                |
| # 1/1/2049    |  |        |        |                      |                      |                           |
| # 1/1/2050    |  |        |        |                      |                      |                           |
| # 1/1/2051    |  |        |        |                      |                      |                           |
| # 1/1/2052    |  |        |        |                      |                      |                           |
| # 1/1/2053    |  |        |        |                      |                      |                           |
| # 1/1/2054    |  |        |        |                      |                      |                           |
| # 1/1/2055    |  |        |        |                      |                      |                           |
| # 1/1/2056    |  |        |        |                      |                      |                           |
| # 1/1/2057    |  |        |        |                      |                      |                           |
| # 1/1/2058    |  |        |        |                      |                      |                           |
| # 1/1/2059    |  |        |        |                      |                      |                           |
|               | <b>\$217,946,990</b>   |        |        | <b>\$705,833,010</b> | <b>\$923,780,000</b> | <b>\$2,658,813,360</b>    |

**DULLES CORRIDOR METRORAIL PROJECT**

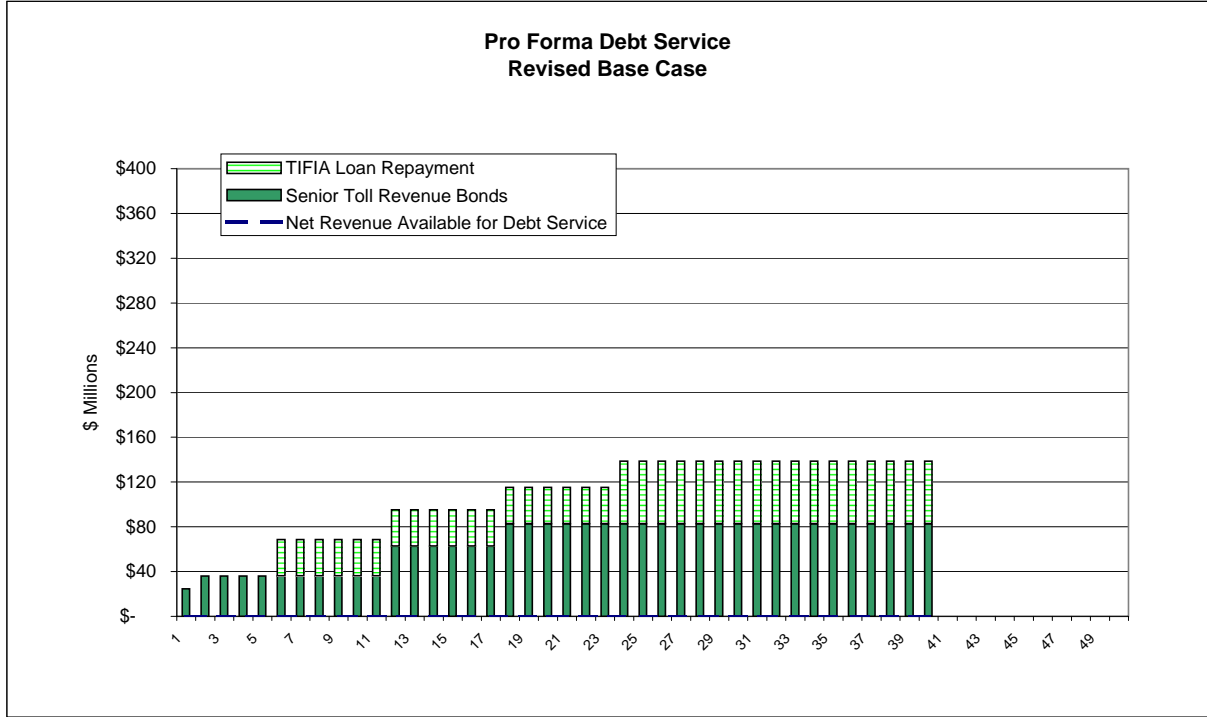
**Revised Base Case**

| period ending | Junior Subordinated TIFIA Loan |                  |               |                         |                      | Outstanding Balance |
|---------------|--------------------------------|------------------|---------------|-------------------------|----------------------|---------------------|
|               | Draws                          | Accrued Interest | Principal     | Interest Paid<br>5.250% | Total TIFIA Payments |                     |
| 1/1/2008      |                                | -                |               |                         |                      |                     |
| 1/1/2009      | 114,977,363                    | 4,108,045        |               | -                       | -                    | 119,085,409         |
| 1/1/2010      | 229,699,395                    | 18,095,530       |               | -                       | -                    | 366,880,334         |
| 1/1/2011      | 166,095,728                    | 26,815,556       | -             | -                       | -                    | 559,791,617         |
| 1/1/2012      | -                              | 29,389,060       | -             | -                       | -                    | 589,180,677         |
| 1/1/2013      | -                              | 30,931,986       | -             | -                       | -                    | 620,112,663         |
| 1/1/2014      | 1                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2015      | 2                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2016      | 3                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2017      | 4                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2018      | 5                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2019      | 6                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2020      | 7                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2021      | 8                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2022      | 9                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2023      | 10                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2024      | 11                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2025      | 12                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2026      | 13                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2027      | 14                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2028      | 15                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2029      | 16                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2030      | 17                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2031      | 18                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2032      | 19                             | 32,555,915       | 23,479,267    | 32,555,915              | 56,035,181           | 596,633,396         |
| 1/1/2033      | 20                             | 31,323,253       | 24,711,203    | 31,323,253              | 56,034,456           | 571,922,193         |
| 1/1/2034      | 21                             | 30,025,915       | 26,006,629    | 30,025,915              | 56,032,544           | 545,915,564         |
| 1/1/2035      | 22                             | 28,660,567       | 27,376,764    | 28,660,567              | 56,037,331           | 518,538,799         |
| 1/1/2036      | 23                             | 27,223,287       | 28,813,419    | 27,223,287              | 56,036,706           | 489,725,380         |
| 1/1/2037      | 24                             | 25,710,582       | 30,323,237    | 25,710,582              | 56,033,819           | 459,402,143         |
| 1/1/2038      | 25                             | 24,118,613       | 31,918,206    | 24,118,613              | 56,036,819           | 427,483,937         |
| 1/1/2039      | 26                             | 22,442,907       | 33,591,475    | 22,442,907              | 56,034,381           | 393,892,462         |
| 1/1/2040      | 27                             | 20,679,354       | 35,355,565    | 20,679,354              | 56,034,919           | 358,536,898         |
| 1/1/2041      | 28                             | 18,823,187       | 37,214,182    | 18,823,187              | 56,037,369           | 321,322,716         |
| 1/1/2042      | 29                             | 16,869,443       | 39,166,489    | 16,869,443              | 56,035,931           | 282,156,227         |
| 1/1/2043      | 30                             | 14,813,202       | 41,221,605    | 14,813,202              | 56,034,806           | 240,934,622         |
| 1/1/2044      | 31                             | 12,649,068       | 43,384,126    | 12,649,068              | 56,033,194           | 197,550,496         |
| 1/1/2045      | 32                             | 10,371,401       | 45,664,680    | 10,371,401              | 56,036,081           | 151,885,816         |
| 1/1/2046      | 33                             | 7,974,005        | 48,059,451    | 7,974,005               | 56,033,456           | 103,826,364         |
| 1/1/2047      | 34                             | 5,450,884        | 50,584,422    | 5,450,884               | 56,035,306           | 53,241,942          |
| 1/1/2048      | 35                             | 2,795,202        | 53,241,942    | 2,795,202               | 56,037,144           | 0                   |
| 1/1/2049      |                                |                  |               |                         |                      |                     |
| 1/1/2050      |                                |                  |               |                         |                      |                     |
| 1/1/2051      |                                |                  |               |                         |                      |                     |
| 1/1/2052      |                                |                  |               |                         |                      |                     |
| 1/1/2053      |                                |                  |               |                         |                      |                     |
| 1/1/2054      |                                |                  |               |                         |                      |                     |
| 1/1/2055      |                                |                  |               |                         |                      |                     |
| 1/1/2056      |                                |                  |               |                         |                      |                     |
| 1/1/2057      |                                |                  |               |                         |                      |                     |
| 1/1/2058      |                                |                  |               |                         |                      |                     |
| 1/1/2059      |                                |                  |               |                         |                      |                     |
|               | \$510,772,486                  |                  | \$620,112,663 |                         |                      |                     |

**DULLES CORRIDOR METRORAIL PROJECT**  
*Revised Base Case*

**FFGA Bridge Financing**

| period ending | FFGA Bridge Funding |                  |                |                         |                | Outstanding Balance |
|---------------|---------------------|------------------|----------------|-------------------------|----------------|---------------------|
|               | Draws               | Accrued Interest | Principal      | Interest Paid<br>5.500% | Total Payments |                     |
| 1/1/2008      |                     | -                |                |                         |                |                     |
| 1/1/2009      | -                   | -                |                | -                       | -              | -                   |
| 1/1/2010      | -                   | -                |                | -                       | -              | -                   |
| 1/1/2011      | 8,052,328           | 442,878          | -              | 442,878                 | 442,878        | 8,052,328           |
| 1/1/2012      | 242,450,421         | 13,777,651       | -              | 13,777,651              | 13,777,651     | 250,502,749         |
| 1/1/2013      | 38,819,944          | 15,912,748       | 91,322,693     | 15,912,748              | 107,235,441    | 198,000,000         |
| 1/1/2014      |                     |                  | 99,000,000     | 10,890,000              | 109,890,000    | 99,000,000          |
| 1/1/2015      |                     |                  | 99,000,000     | 5,445,000               | 104,445,000    | -                   |
| 1/1/2016      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2017      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2018      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2019      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2020      |                     |                  | -              | -                       | -              | -                   |
|               | \$ 289,322,693      | \$ 30,133,277    | \$ 289,322,693 | \$ 46,468,277           | \$ 335,790,970 |                     |



**DULLES CORRIDOR METRORAIL PROJECT**

**Revised Base Casewith \$300 Million Additional Debt**

| period ending | Senior Toll Revenue Bonds<br>(Refinance BANs) |        |                      |                      | Senior Toll Revenue Bonds<br>(Rail) |        |                      |                        |
|---------------|---|--------|----------------------|----------------------|-------------------------------------|--------|----------------------|------------------------|
|               | Principal                                     | Coupon | Interest             | Total                | Principal                           | Coupon | Interest             | Total                  |
| 1/1/2008      |   |        |                      |                      |                                     |        |                      |                        |
| 1 1/1/2009    |   |        | 5,947,656            | <b>5,947,656</b>     |                                     |        | 18,557,729           | <b>18,557,729</b>      |
| 2 1/1/2010    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 3 1/1/2011    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 4 1/1/2012    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 5 1/1/2013    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 6 1/1/2014    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 7 1/1/2015    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 8 1/1/2016    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 9 1/1/2017    | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 10 1/1/2018   | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 11 1/1/2019   | -   | 5.250% | 8,739,413            | <b>8,739,413</b>     | -                                   | 5.250% | 27,268,500           | <b>27,268,500</b>      |
| 12 1/1/2020   | 2,565,000                                     | 5.250% | 8,739,413            | <b>11,304,413</b>    | 7,995,000                           | 5.250% | 27,268,500           | <b>35,263,500</b>      |
| 13 1/1/2021   | 2,700,000                                     | 5.250% | 8,604,750            | <b>11,304,750</b>    | 8,415,000                           | 5.250% | 26,848,763           | <b>35,263,763</b>      |
| 14 1/1/2022   | 2,840,000                                     | 5.250% | 8,463,000            | <b>11,303,000</b>    | 8,855,000                           | 5.250% | 26,406,975           | <b>35,261,975</b>      |
| 15 1/1/2023   | 2,990,000                                     | 5.250% | 8,313,900            | <b>11,303,900</b>    | 9,320,000                           | 5.250% | 25,942,088           | <b>35,262,088</b>      |
| 16 1/1/2024   | 3,145,000                                     | 5.250% | 8,156,925            | <b>11,301,925</b>    | 9,815,000                           | 5.250% | 25,452,788           | <b>35,267,788</b>      |
| 17 1/1/2025   | 3,310,000                                     | 5.250% | 7,991,813            | <b>11,301,813</b>    | 10,330,000                          | 5.250% | 24,937,500           | <b>35,267,500</b>      |
| 18 1/1/2026   | 3,485,000                                     | 5.250% | 7,818,038            | <b>11,303,038</b>    | 10,870,000                          | 5.250% | 24,395,175           | <b>35,265,175</b>      |
| 19 1/1/2027   | 3,665,000                                     | 5.250% | 7,635,075            | <b>11,300,075</b>    | 11,445,000                          | 5.250% | 23,824,500           | <b>35,269,500</b>      |
| 20 1/1/2028   | 3,860,000                                     | 5.250% | 7,442,663            | <b>11,302,663</b>    | 12,040,000                          | 5.250% | 23,223,638           | <b>35,263,638</b>      |
| 21 1/1/2029   | 4,060,000                                     | 5.250% | 7,240,013            | <b>11,300,013</b>    | 12,675,000                          | 5.250% | 22,591,538           | <b>35,266,538</b>      |
| 22 1/1/2030   | 4,275,000                                     | 5.250% | 7,026,863            | <b>11,301,863</b>    | 13,340,000                          | 5.250% | 21,926,100           | <b>35,266,100</b>      |
| 23 1/1/2031   | 4,500,000                                     | 5.250% | 6,802,425            | <b>11,302,425</b>    | 14,040,000                          | 5.250% | 21,225,750           | <b>35,265,750</b>      |
| 24 1/1/2032   | 4,735,000                                     | 5.250% | 6,566,175            | <b>11,301,175</b>    | 14,775,000                          | 5.250% | 20,488,650           | <b>35,263,650</b>      |
| 25 1/1/2033   | 4,985,000                                     | 5.250% | 6,317,588            | <b>11,302,588</b>    | 15,550,000                          | 5.250% | 19,712,963           | <b>35,262,963</b>      |
| 26 1/1/2034   | 5,245,000                                     | 5.250% | 6,055,875            | <b>11,300,875</b>    | 16,370,000                          | 5.250% | 18,896,588           | <b>35,266,588</b>      |
| 27 1/1/2035   | 5,520,000                                     | 5.250% | 5,780,513            | <b>11,300,513</b>    | 17,230,000                          | 5.250% | 18,037,163           | <b>35,267,163</b>      |
| 28 1/1/2036   | 5,810,000                                     | 5.250% | 5,490,713            | <b>11,300,713</b>    | 18,135,000                          | 5.250% | 17,132,588           | <b>35,267,588</b>      |
| 29 1/1/2037   | 6,115,000                                     | 5.250% | 5,185,688            | <b>11,300,688</b>    | 19,085,000                          | 5.250% | 16,180,500           | <b>35,265,500</b>      |
| 30 1/1/2038   | 6,435,000                                     | 5.250% | 4,864,650            | <b>11,299,650</b>    | 20,090,000                          | 5.250% | 15,178,538           | <b>35,268,538</b>      |
| 31 1/1/2039   | 6,775,000                                     | 5.250% | 4,526,813            | <b>11,301,813</b>    | 21,140,000                          | 5.250% | 14,123,813           | <b>35,263,813</b>      |
| 32 1/1/2040   | 7,130,000                                     | 5.250% | 4,171,125            | <b>11,301,125</b>    | 22,250,000                          | 5.250% | 13,013,963           | <b>35,263,963</b>      |
| 33 1/1/2041   | 7,505,000                                     | 5.250% | 3,796,800            | <b>11,301,800</b>    | 23,420,000                          | 5.250% | 11,845,838           | <b>35,265,838</b>      |
| 34 1/1/2042   | 7,900,000                                     | 5.250% | 3,402,788            | <b>11,302,788</b>    | 24,650,000                          | 5.250% | 10,616,288           | <b>35,266,288</b>      |
| 35 1/1/2043   | 8,315,000                                     | 5.250% | 2,988,038            | <b>11,303,038</b>    | 25,940,000                          | 5.250% | 9,322,163            | <b>35,262,163</b>      |
| 36 1/1/2044   | 8,750,000                                     | 5.250% | 2,551,500            | <b>11,301,500</b>    | 27,305,000                          | 5.250% | 7,960,313            | <b>35,265,313</b>      |
| 37 1/1/2045   | 9,210,000                                     | 5.250% | 2,092,125            | <b>11,302,125</b>    | 28,740,000                          | 5.250% | 6,526,800            | <b>35,266,800</b>      |
| 38 1/1/2046   | 9,695,000                                     | 5.250% | 1,608,600            | <b>11,303,600</b>    | 30,245,000                          | 5.250% | 5,017,950            | <b>35,262,950</b>      |
| 39 1/1/2047   | 10,205,000                                    | 5.250% | 1,099,613            | <b>11,304,613</b>    | 31,830,000                          | 5.250% | 3,430,088            | <b>35,260,088</b>      |
| 40 1/1/2048   | 10,740,000                                    | 5.250% | 563,850              | <b>11,303,850</b>    | 33,505,000                          | 5.250% | 1,759,013            | <b>35,264,013</b>      |
| 41 1/1/2049   |   |        |                      |                      |                                     |        |                      |                        |
| 42 1/1/2050   |   |        |                      |                      |                                     |        |                      |                        |
| 43 1/1/2051   |   |        |                      |                      |                                     |        |                      |                        |
| 44 1/1/2052   |   |        |                      |                      |                                     |        |                      |                        |
| 45 1/1/2053   |   |        |                      |                      |                                     |        |                      |                        |
| 46 1/1/2054   |   |        |                      |                      |                                     |        |                      |                        |
| 47 1/1/2055   |   |        |                      |                      |                                     |        |                      |                        |
| 48 1/1/2056   |   |        |                      |                      |                                     |        |                      |                        |
| 49 1/1/2057   |   |        |                      |                      |                                     |        |                      |                        |
| 50 1/1/2058   |   |        |                      |                      |                                     |        |                      |                        |
| 51 1/1/2059   |   |        |                      |                      |                                     |        |                      |                        |
|               | <b>\$166,465,000</b>                          |        | <b>\$254,639,106</b> | <b>\$421,104,106</b> | <b>\$519,400,000</b>                |        | <b>\$794,529,254</b> | <b>\$1,313,929,254</b> |

**DULLES CORRIDOR METRORAIL PROJECT**  
**Revised Base Casewith \$300 Million Additional Debt**

**Senior Debt Service - DTR**

| period ending | Senior Toll Revenue Bonds<br>(Rail - Capital Appreciation Bonds) |        |        |                        |                        | TOTAL SENIOR DEBT SERVICE |
|---------------|--|--------|--------|------------------------|------------------------|---------------------------|
|               | Principal  | Coupon | Yield  | Interest               | Total                  |                           |
| 1/1/2008      |  |        |        |                        |                        |                           |
| 1 1/1/2009    |  |        |        |                        |                        | 24,505,385                |
| 2 1/1/2010    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 3 1/1/2011    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 4 1/1/2012    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 5 1/1/2013    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 6 1/1/2014    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 7 1/1/2015    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 8 1/1/2016    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| 9 1/1/2017    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| # 1/1/2018    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| # 1/1/2019    | -  | 0.000% | 5.750% | -                      | -                      | 36,007,913                |
| # 1/1/2020    | 27,051,065   | 0.000% | 5.750% | 25,358,935             | 52,410,000             | 98,977,913                |
| # 1/1/2021    | 25,560,225   | 0.000% | 5.750% | 26,849,775             | 52,410,000             | 98,978,513                |
| # 1/1/2022    | 24,153,852   | 0.000% | 5.750% | 28,261,148             | 52,415,000             | 98,979,975                |
| # 1/1/2023    | 27,174,734   | 0.000% | 5.750% | 35,235,266             | 62,410,000             | 108,975,988               |
| # 1/1/2024    | 25,677,078   | 0.000% | 5.750% | 36,732,922             | 62,410,000             | 108,979,713               |
| # 1/1/2025    | 24,261,961   | 0.000% | 5.750% | 38,148,039             | 62,410,000             | 108,979,313               |
| # 1/1/2026    | 30,271,361   | 0.000% | 5.750% | 52,138,639             | 82,410,000             | 128,978,213               |
| # 1/1/2027    | 28,603,044   | 0.000% | 5.750% | 53,806,956             | 82,410,000             | 128,979,575               |
| # 1/1/2028    | 27,026,671   | 0.000% | 5.750% | 55,383,329             | 82,410,000             | 128,976,300               |
| # 1/1/2029    | 25,537,175   | 0.000% | 5.750% | 56,872,825             | 82,410,000             | 128,976,550               |
| # 1/1/2030    | 24,129,769   | 0.000% | 5.750% | 58,280,231             | 82,410,000             | 128,977,963               |
| # 1/1/2031    | 22,799,927   | 0.000% | 5.750% | 59,610,073             | 82,410,000             | 128,978,175               |
| # 1/1/2032    | 21,544,683   | 0.000% | 5.750% | 60,870,317             | 82,415,000             | 128,979,825               |
| # 1/1/2033    | 20,356,076   | 0.000% | 5.750% | 62,053,924             | 82,410,000             | 128,975,550               |
| # 1/1/2034    | 19,234,211   | 0.000% | 5.750% | 63,175,789             | 82,410,000             | 128,977,463               |
| # 1/1/2035    | 18,174,174   | 0.000% | 5.750% | 64,235,826             | 82,410,000             | 128,977,675               |
| # 1/1/2036    | 17,172,558   | 0.000% | 5.750% | 65,237,442             | 82,410,000             | 128,978,300               |
| # 1/1/2037    | 16,226,142   | 0.000% | 5.750% | 66,183,858             | 82,410,000             | 128,976,188               |
| # 1/1/2038    | 15,331,886   | 0.000% | 5.750% | 67,078,114             | 82,410,000             | 128,978,188               |
| # 1/1/2039    | 14,486,914   | 0.000% | 5.750% | 67,923,086             | 82,410,000             | 128,975,625               |
| # 1/1/2040    | 13,688,511   | 0.000% | 5.750% | 68,721,489             | 82,410,000             | 128,975,088               |
| # 1/1/2041    | 12,934,108   | 0.000% | 5.750% | 69,475,892             | 82,410,000             | 128,977,638               |
| # 1/1/2042    | 12,221,283   | 0.000% | 5.750% | 70,188,717             | 82,410,000             | 128,979,075               |
| # 1/1/2043    | 11,547,743   | 0.000% | 5.750% | 70,862,257             | 82,410,000             | 128,975,200               |
| # 1/1/2044    | 10,911,323   | 0.000% | 5.750% | 71,498,677             | 82,410,000             | 128,976,813               |
| # 1/1/2045    | 10,309,977   | 0.000% | 5.750% | 72,100,023             | 82,410,000             | 128,978,925               |
| # 1/1/2046    | 9,741,773  | 0.000% | 5.750% | 72,668,227             | 82,410,000             | 128,976,550               |
| # 1/1/2047    | 9,205,442  | 0.000% | 5.750% | 73,209,558             | 82,415,000             | 128,979,700               |
| # 1/1/2048    | 8,697,584  | 0.000% | 5.750% | 73,712,416             | 82,410,000             | 128,977,863               |
| # 1/1/2049    |  |        |        |                        |                        |                           |
| # 1/1/2050    |  |        |        |                        |                        |                           |
| # 1/1/2051    |  |        |        |                        |                        |                           |
| # 1/1/2052    |  |        |        |                        |                        |                           |
| # 1/1/2053    |  |        |        |                        |                        |                           |
| # 1/1/2054    |  |        |        |                        |                        |                           |
| # 1/1/2055    |  |        |        |                        |                        |                           |
| # 1/1/2056    |  |        |        |                        |                        |                           |
| # 1/1/2057    |  |        |        |                        |                        |                           |
| # 1/1/2058    |  |        |        |                        |                        |                           |
| # 1/1/2059    |  |        |        |                        |                        |                           |
|               | <b>\$554,031,251</b>   |        |        | <b>\$1,685,873,749</b> | <b>\$2,239,905,000</b> | <b>\$3,974,938,360</b>    |

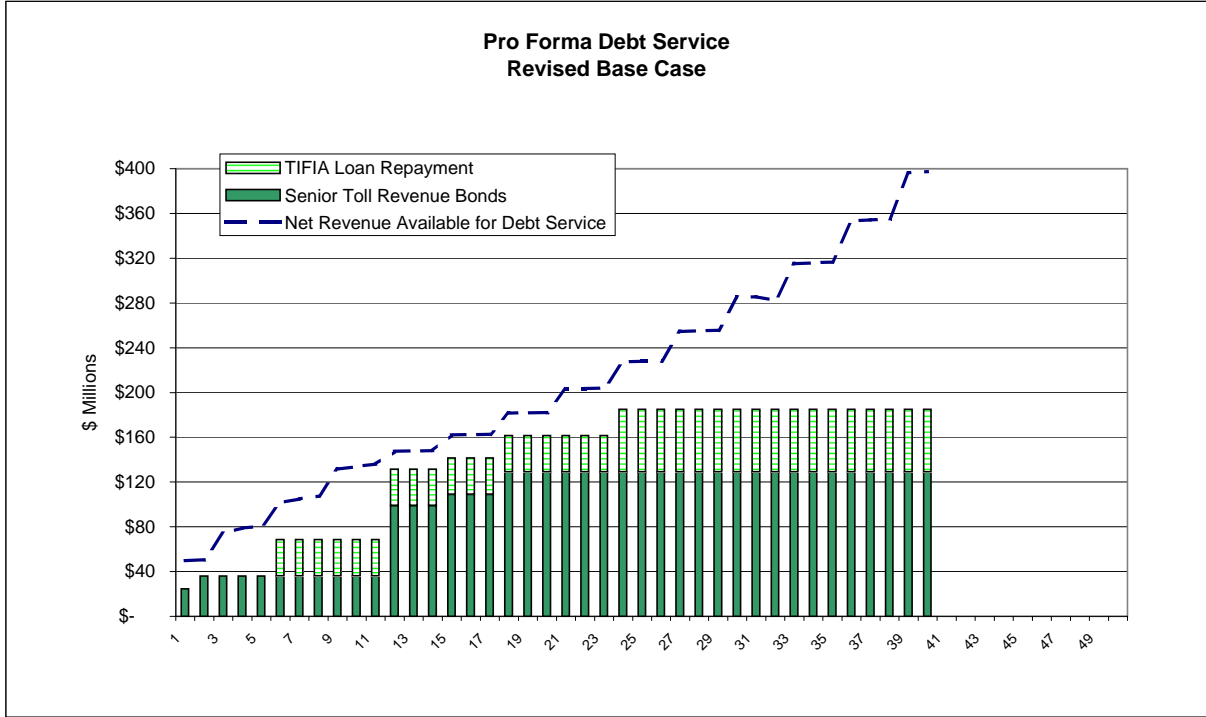
**DULLES CORRIDOR METRORAIL PROJECT**  
**Revised Base Casewith \$300 Million Additional Debt**

| period ending | Junior Subordinated TIFIA Loan |                  |               |                         |                      | Outstanding Balance |
|---------------|--------------------------------|------------------|---------------|-------------------------|----------------------|---------------------|
|               | Draws                          | Accrued Interest | Principal     | Interest Paid<br>5.250% | Total TIFIA Payments |                     |
| 1/1/2008      |                                | -                |               |                         |                      |                     |
| 1/1/2009      | 114,977,363                    | 4,108,045        |               | -                       | -                    | 119,085,409         |
| 1/1/2010      | 229,699,395                    | 18,095,530       |               | -                       | -                    | 366,880,334         |
| 1/1/2011      | 166,095,728                    | 26,815,556       | -             | -                       | -                    | 559,791,617         |
| 1/1/2012      | -                              | 29,389,060       | -             | -                       | -                    | 589,180,677         |
| 1/1/2013      | -                              | 30,931,986       | -             | -                       | -                    | 620,112,663         |
| 1/1/2014      | 1                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2015      | 2                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2016      | 3                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2017      | 4                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2018      | 5                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2019      | 6                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2020      | 7                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2021      | 8                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2022      | 9                              | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2023      | 10                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2024      | 11                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2025      | 12                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2026      | 13                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2027      | 14                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2028      | 15                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2029      | 16                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2030      | 17                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2031      | 18                             | 32,555,915       | -             | 32,555,915              | 32,555,915           | 620,112,663         |
| 1/1/2032      | 19                             | 32,555,915       | 23,476,867    | 32,555,915              | 56,032,782           | 596,635,795         |
| 1/1/2033      | 20                             | 31,323,379       | 24,713,678    | 31,323,379              | 56,037,057           | 571,922,118         |
| 1/1/2034      | 21                             | 30,025,911       | 26,009,233    | 30,025,911              | 56,035,145           | 545,912,884         |
| 1/1/2035      | 22                             | 28,660,426       | 27,374,506    | 28,660,426              | 56,034,932           | 518,538,378         |
| 1/1/2036      | 23                             | 27,223,265       | 28,811,042    | 27,223,265              | 56,034,307           | 489,727,336         |
| 1/1/2037      | 24                             | 25,710,685       | 30,325,734    | 25,710,685              | 56,036,420           | 459,401,602         |
| 1/1/2038      | 25                             | 24,118,584       | 31,915,835    | 24,118,584              | 56,034,420           | 427,485,766         |
| 1/1/2039      | 26                             | 22,443,003       | 33,593,979    | 22,443,003              | 56,036,982           | 393,891,787         |
| 1/1/2040      | 27                             | 20,679,319       | 35,358,201    | 20,679,319              | 56,037,520           | 358,533,586         |
| 1/1/2041      | 28                             | 18,823,013       | 37,211,956    | 18,823,013              | 56,034,970           | 321,321,630         |
| 1/1/2042      | 29                             | 16,869,386       | 39,164,146    | 16,869,386              | 56,033,532           | 282,157,484         |
| 1/1/2043      | 30                             | 14,813,268       | 41,224,139    | 14,813,268              | 56,037,407           | 240,933,345         |
| 1/1/2044      | 31                             | 12,649,001       | 43,386,794    | 12,649,001              | 56,035,795           | 197,546,551         |
| 1/1/2045      | 32                             | 10,371,194       | 45,662,488    | 10,371,194              | 56,033,682           | 151,884,062         |
| 1/1/2046      | 33                             | 7,973,913        | 48,062,144    | 7,973,913               | 56,036,057           | 103,821,919         |
| 1/1/2047      | 34                             | 5,450,651        | 50,582,256    | 5,450,651               | 56,032,907           | 53,239,662          |
| 1/1/2048      | 35                             | 2,795,082        | 53,239,662    | 2,795,082               | 56,034,745           | (0)                 |
| 1/1/2049      |                                |                  |               |                         |                      |                     |
| 1/1/2050      |                                |                  |               |                         |                      |                     |
| 1/1/2051      |                                |                  |               |                         |                      |                     |
| 1/1/2052      |                                |                  |               |                         |                      |                     |
| 1/1/2053      |                                |                  |               |                         |                      |                     |
| 1/1/2054      |                                |                  |               |                         |                      |                     |
| 1/1/2055      |                                |                  |               |                         |                      |                     |
| 1/1/2056      |                                |                  |               |                         |                      |                     |
| 1/1/2057      |                                |                  |               |                         |                      |                     |
| 1/1/2058      |                                |                  |               |                         |                      |                     |
| 1/1/2059      |                                |                  |               |                         |                      |                     |
|               | \$510,772,486                  |                  | \$620,112,663 |                         |                      |                     |

**DULLES CORRIDOR METRORAIL PROJECT**  
*Revised Base Casewith \$300 Million Additional Debt*

**FFGA Bridge Financing**

| period ending | FFGA Bridge Funding |                  |                |                         |                | Outstanding Balance |
|---------------|---------------------|------------------|----------------|-------------------------|----------------|---------------------|
|               | Draws               | Accrued Interest | Principal      | Interest Paid<br>5.500% | Total Payments |                     |
| 1/1/2008      |                     | -                |                |                         |                |                     |
| 1/1/2009      | -                   | -                |                | -                       | -              | -                   |
| 1/1/2010      | -                   | -                |                | -                       | -              | -                   |
| 1/1/2011      | 8,052,328           | 442,878          | -              | 442,878                 | 442,878        | 8,052,328           |
| 1/1/2012      | 242,450,421         | 13,777,651       | -              | 13,777,651              | 13,777,651     | 250,502,749         |
| 1/1/2013      | 38,819,944          | 15,912,748       | 91,322,693     | 15,912,748              | 107,235,441    | 198,000,000         |
| 1/1/2014      |                     |                  | 99,000,000     | 10,890,000              | 109,890,000    | 99,000,000          |
| 1/1/2015      |                     |                  | 99,000,000     | 5,445,000               | 104,445,000    | -                   |
| 1/1/2016      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2017      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2018      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2019      |                     |                  | -              | -                       | -              | -                   |
| 1/1/2020      |                     |                  | -              | -                       | -              | -                   |
|               | \$ 289,322,693      | \$ 30,133,277    | \$ 289,322,693 | \$ 46,468,277           | \$ 335,790,970 |                     |



**APPENDIX 2B**

**Letter dated January 31, 2008 from John Catoe, General Manager of  
WMATA With Information Concerning WMATA's Financial  
Commitment**

---



January 31, 2008

Mr. James E. Bennett  
President and Chief Executive Officer  
Metropolitan Washington Airports Authority  
1 Aviation Circle  
Washington, DC 20001-6000

Dear Mr. Bennett:

I am writing to express and reaffirm Metro's strong support for the Dulles Corridor Metrorail Project. This is a critical project in an important economic and transportation corridor in the National Capital Region and as you are aware, the Metro Board has adopted several resolutions in support of this project.

Metro has been involved in this project for nearly a decade and was responsible for preparing the initial environmental documentation for this project which led to approval of the Locally Preferred Alternative (the rail extension). Metro has continued to participate with the Commonwealth and the Metropolitan Washington Airports Authority (MWAA) in the preliminary engineering phase of the project and in other subsequent activities that led up to the MWAA request to FTA for approval to enter into final design.

The Metro Board has approved the financial plan for the Dulles Phase I project and Metro can operate this extension upon its completion and acceptance into the Metrorail regional system. The Metro Board also authorized me to execute the Intergovernmental Agreement (IGA) with MWAA which incorporates, and thereby indicates, our acceptance of the project management plan, MWAA-Metro relationships, and other conditions involved in the final design, construction and acceptance phases of this project. This agreement was executed on September 17, 2007 and the last remaining detail which involved the "Right-of-Entry" conditions was executed on January 16, 2008. These arrangements are similar to ones that have been used successfully elsewhere in the United States. We are satisfied that these agreements protect Metro's interests from a liability and warranty standpoint. In addition, we

**Washington  
Metropolitan Area  
Transit Authority**

600 Fifth Street, NW  
Washington, D.C. 20001  
202/962-1234

*By Metrorail:  
Judiciary Square-Red Line  
Gallery Place-Chinatown  
Red, Green and  
Yellow Lines*

*A District of Columbia,  
Maryland and Virginia  
Transit Partnership*

Mr. James E. Bennett  
Page 2

expect similar arrangements to be used in future transit expansions in this region.

It is my understanding that recent and routine staff-to-staff communication with your staff on the need to resolve certain technical issues is being interpreted as a serious problem. I want to clarify that these are routine technical issues that at this time do not rise to the level of significance that is being attached to it by the FTA or the media. We are committed to working in mutual cooperation with you and your staff to seek their resolution consistent with the requirements of the MWAA-Metro IGA and the supporting Metro Board resolutions.

As you know, I and the Metro Board have placed a very high priority on safety and improving the reliability of our system. Since coming to Metro in January 2007, we have initiated several actions to improve safety. Metro's capital needs must be addressed in a timely manner to provide the safe and reliable service that our riders expect.

The issues regarding reliability and associated capital needs are not new. These were identified as far back as 1998, then in 2002, and a 2005 Blue Ribbon Panel Report identified nearly \$6 billion in capital needs for the period FY2008-2015. The Metro Matters agreement executed between Metro and its funding partners funded a \$3.3 billion program for the period FY2005-FY2010.

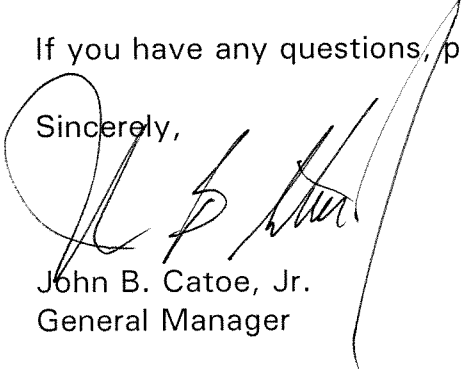
Towards meeting these needs, legislative initiatives have been introduced in the United States Congress. The legislatures of Maryland and Virginia and the Council of the District of Columbia have already approved funding measures to match federal funds and provide capital funding. We look forward to securing a reliable stream of federal funding for our critical capital needs. The Metrorail and Metrobus systems represent a major infrastructure asset in the National Capital Region and I am confident that our funding partners, including the federal government, will ensure that our capital funding needs will be met in a timely manner.

Mr. James E. Bennett  
Page 3

I trust that this letter places Metro's issues in proper context and will help in advancing the Dulles Corridor Metrorail Project.

If you have any questions, please do not hesitate to contact me.

Sincerely,



John B. Catoe, Jr.  
General Manager

cc: The Honorable Tim Kaine  
The Honorable John W. Warner  
The Honorable James Webb  
The Honorable Thomas M. Davis  
The Honorable James P. Moran  
The Honorable Frank R. Wolf  
Pierce Homer, Virginia Secretary of Transportation  
James S. Simpson, Administrator, FTA  
Metro Board of Directors

## **APPENDIX 2C**

### **Financial Plan Overview – 2007 Constrained Long range Plan**

---



Air Quality

Bicycle and Pedestrian Plan

Congestion Management  
ProcessEnvironmental Consultation  
and MitigationEmergency Preparedness  
and Transportation Security

Financial Plan

Freight Planning

Human Service  
Transportation Coordination

Land Use Coordination

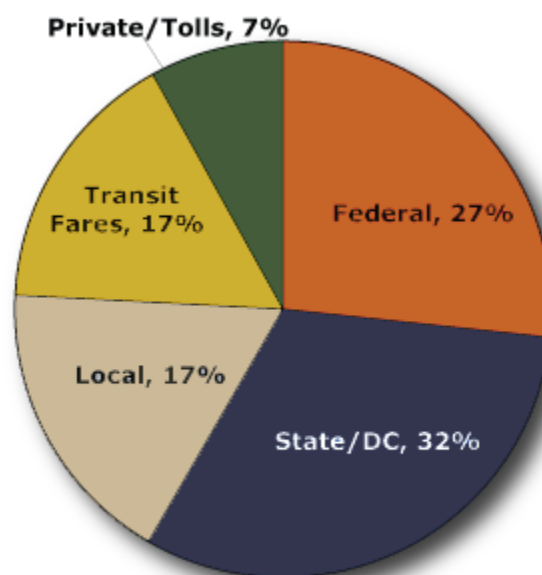
Management, Operations  
and TechnologyTransportation Safety  
Planning

Scenario Planning

## FINANCIAL PLAN

A comprehensive financial plan was prepared for the 2006 CLRP. It reviews and updates projected transportation revenues and costs for operating, maintaining, and expanding the regional

transportation system through 2030. It includes forecasts of transportation revenues and expenditures for the Washington Metropolitan Region for the 24-year period of 2007 to 2030. The forecasts were prepared by the transportation implementing agencies and jurisdictions, with technical integration and documentation provided by consultants. The Financial Plan for the 2006 CLRP was updated for the 2007 CLRP to show the forecasts of revenues and costs in year of expenditure dollars in addition to constant 2006 dollars.



CLRP Revenues (2008-2030)  
\$161.2 Billion

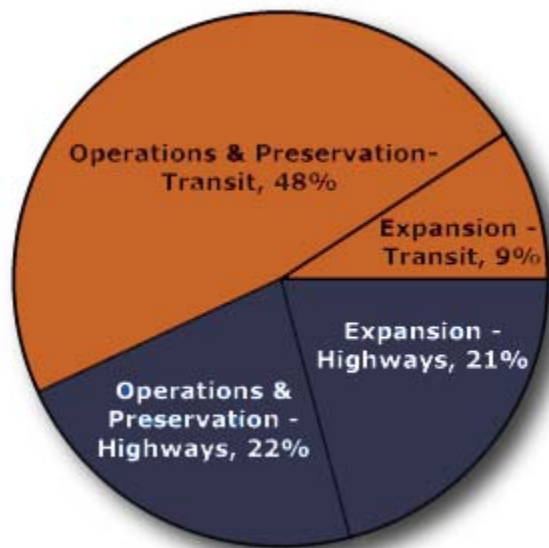
The total \$160.2 billion in revenues for the CLRP are projected to equal the estimated expenditures. The projections are in year of expenditure dollars of revenues and expenditures through 2030 for the total region, Suburban Maryland, Northern Virginia, and the District of Columbia by mode and category.

The financial plan demonstrates that the estimated revenues from existing and proposed sources that can reasonably be expected to be available equal the estimated costs of expanding, while adequately maintaining and operating, the highway and transit system in the region from 2007 through 2030. **[Click here for the revenue and cost summary tables in year of expenditure dollars.](#)**

## Transit Ridership is Constrained

During 2006, progress was made in Congress and the legislatures of Maryland, Virginia, and District of Columbia to identify an additional \$3 billion in revenues (\$1.5 billion in federal with

matching funds from the Davis Bill and \$1.5 billion from dedicated sources in the District and states) for WMATA's future capital needs. However, for this CLRP the \$3 billion in new WMATA revenue is not assumed. To address this situation where funding has not yet been identified to accommodate all of the projected WMATA ridership growth, a method that has been applied since the 2000 CLRP was used to limit the projected ridership to be consistent with the available funding for the capacity improvements.



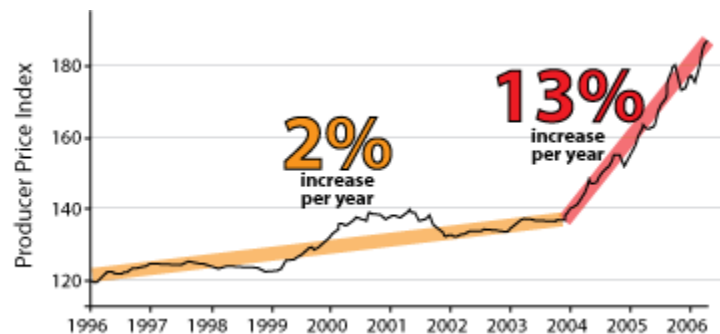
The funding uncertainties affecting the Metrorail system capacity and levels of service beyond 2010 was explicitly accounted for by constraining transit ridership to or through the core area to 2010 levels. The transit constraint method is applied during the travel demand modeling process as part of the air quality conformity analysis of the CLRP. First, unconstrained origin and destination trip tables are produced for the years 2010, 2020, and 2030. Constrained transit trip tables are then created for 2020 and 2030 by inserting 2010 totals for the transit trip patterns that correspond to trips into or through the core area containing the maximum load points in the rail system. The transit person trips that cannot be accommodated are then allocated back to the auto person trip tables, resulting in increased daily automobile trips and vehicle emissions.

CLRP Expenditures (2008-2030)  
\$161.2 Billion

## New Funding is Offset by Increasing Costs

On average, annual funding for transportation in the region has actually grown by 18 percent since the 2003 forecast. However, rising construction costs are eating up those funding increases. In the last two years,

construction costs have jumped about 26% (13% per year). In contrast, construction costs rose only 17% over the previous eight years (2% per year).



## Related Links

- [Analysis of Resources for the 2006 Financially Constrained Long-Range Transportation Plan for the Washington Region](#)
- [Progress Report on the National Capital Region's Short-Term Transportation Capital Funding Needs](#)

Transportation Planning Board | Metropolitan Washington Council of Governments

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## **APPENDIX 2D**

### **Credit Ratings for the Metropolitan Washington Airports Authority**

- **FitchRatings**
  - **Moody's**
  - **Standard and Poor's**
-

Revenue  
New Issue

## Metropolitan Washington Airports Authority

### Ratings

#### New Issue

Airport System Revenue Bonds,  
Series 2007B (Alternative  
Minimum Tax)\*† ..... AA

#### Outstanding Debt

Airport System Revenue and  
Refunding Bonds\* ..... AA  
(Upgraded from 'AA-' on 8/27/07)

Rating Outlook ..... Stable

\*The 'AA' is an unenhanced long-term rating. †The bonds are expected to be insured by a financial guarantor, whose insurer financial strength is rated 'AAA' by Fitch Ratings.

### Analysts

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+1 312 368-3176  
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### Issuer Contact

Lynn Hampton  
Chief Financial Officer  
+1 703 417-8701

### New Issue Details

Approximately \$530,000,000 Airport System Revenue Bonds, Series 2007B (Alternative Minimum Tax) are scheduled to sell on or about Sept. 12 via negotiation through a syndicate led by Bear, Stearns & Co., Inc.

**Purpose:** Bond proceeds will be used to finance continuation of the Metropolitan Washington Airports Authority's capital construction program, which includes the construction of a new runway and people-mover system at Washington-Dulles International Airport, and refinance outstanding commercial paper.

### ■ Outlook

The rating upgrade of Metropolitan Washington Airports Authority's (MWAA, or the authority) airport system revenue bonds to 'AA' from 'AA-' and Stable Rating Outlook reflect recent service additions at Washington-Dulles International Airport (Dulles), which strengthen its role as an international gateway airport; the sustained, strong financial operations of the airport system, even with the loss of a leading domestic carrier; an improving concessions program, which should enhance its financial flexibility; the strong and growing air trade area; and the demonstrated ability of management to guide a complex capital program within its stated time frame and fiscal constraints during a period of volatility in the national construction market. The high 'AA' rating is also based on the strong competitive position and complementary service offerings of both Dulles and Washington-Reagan National Airport (National) and MWAA's conservative forecasting practices that demonstrate sound coverage of debt service through the capital program. Primary credit concerns include the modest airline concentration risk at both authority airports, the significant debt issuance planned to support the authority's capital construction program (CCP), and the resultant rising costs passed on to airlines.

### ■ Rating Considerations

Enplanements rebounded strongly at Dulles in the first half of 2007 after a significant decline in activity following the January 2006 demise of Independence Air (Independence), which had served to stimulate demand in the market through its aggressive pricing strategy. The initiation of service by Independence, formerly Atlantic Coast Airways and operator of United Express service at Dulles, in 2004 spurred a 60% increase in enplanements from 2003–2005. With Independence leaving the market in 2006, enplanements declined 15% for the year. However, as Independence identified a level of demand at the airport, other carriers, including United Airlines (United), JetBlue Airways (JetBlue), and Southwest Airlines (Southwest) responded to its departure by initiating or adding service. As a result, Dulles experienced an 11.9% gain in enplanements through June 2007.

United remains the largest carrier at Dulles, representing 62.5% of enplanements. The carrier has acted to increase international service at the airport, exploiting its dominant position in the nation's capital by adding service to Beijing, Rome, and Rio de Janeiro in 2007. Foreign carriers have also increased service to Dulles, with Iberia Airlines initiating service to Madrid; Aer Lingus to Dublin, Qatar Airways to Doha (Qatar), and Copa Airlines to Panama.

National has also experienced a significant gain in enplanements, with 2006 traffic volume up 30% from 2003 as carriers used larger

September 7, 2007

aircraft, experienced higher load factors, and were able to add a limited number of flights. Enplanement activity to date in 2007 at National has been stable, as the airport again bumps up against federally imposed flight limitations. US Airways remains the largest carrier at National, with 39% of the market in 2006. While the concentration levels of United and US Airways at the individual airports present some credit concern, the level of concentration is less pronounced when viewed on an overall basis, as United represented 37.4% of total system enplanements in 2006 while US Airways accounted for 18.0%.

MWAA consistently generates healthy financial results, with an operating ratio hovering near 40% on an annual basis. Debt service coverage is consistently well above the rate covenant of 1.25 times (x), with the authority generating coverage of 1.78x for 2006 (year ended Dec. 31).

The authority is in the midst of its \$7.1 billion CCP, which covers 2001–2016. Of this figure, \$2.9 billion has already been spent. Major elements of the program include a new runway and an automated people-mover system at Dulles; plans for a new Tier 2 concourse at Dulles, for which MWAA is negotiating with United; various airfield improvements; and rehabilitation of historic Terminal A at National. The authority expects to issue an additional \$3.2 billion in debt to support the program through 2015. Reflecting this issuance, signatory airline costs per enplaned passenger (CPE) are expected to reach a maximum of \$23.59 at Dulles and \$13.65 at National, metrics which are average for similarly sized facilities. Fitch recognizes the generally conservative assumptions underpinning these scenarios and notes that the modular nature of the CCP allows for cancellation or deferral of projects, if needed.

### ■ Strengths

- Strong competitive position and complementary service offerings of Dulles and National.
- High origination and destination (O&D)-oriented traffic profile at both airports supported by a growing and affluent service area.
- Historically sound financial performance and debt service coverage.
- Proven leadership provided by an experienced management team.
- Flexibility related to implementation of CCP projects.

### ■ Risks

- Moderate airline concentration in United (62% of service at Dulles; 37.4% overall) and US Airways (39% at National; 18% overall).
- Planned future debt issuance to support the CCP and resultant rising airline costs.

### ■ Debt Structure

At year-end 2006, the authority had approximately \$4 billion of total outstanding debt, including \$3.4 billion of airport system revenue bonds, \$400 million of flexible-term passenger facility charge (PFC) revenue notes, and \$200 million of series two commercial paper (CP) notes. The PFC and CP notes are authorized to a maximum principal amount of \$495.9 million and \$500 million, respectively. MWAA has two credit facilities in place for the CP note program, allowing for a total draw of \$420 million at any given time.

After issuance of the 2007B bonds, a portion of which will retire outstanding CP notes, the authority's outstanding long-term revenue bonds will total approximately \$3.9 billion. The authority anticipates issuing an additional \$3.2 billion in airport system revenue bonds through 2015, with total debt outstanding expected to reach \$6.2 billion in 2015. As a result, Fitch expects annual debt service to increase sharply, from \$163.4 million in 2006 to \$541.1 million in 2017. These figures assume implementation of the entire CCP and issuance of related debt, which remains highly discretionary and dependent on airport activity levels and other considerations. Moreover, as the majority of projects being financed are revenue generating and/or eligible for inclusion in the airline rate base, the increased financial obligations, in most cases, will be offset with a corresponding rise in revenues.

Fitch expects management to continue pursuing strategic refunding opportunities and utilize variable-rate debt and interest rate hedges to achieve savings on the authority's debt portfolio (airport system revenue bonds, PFC notes, and CP notes). To date, approximately 11% of MWAA's long-term debt is subject to interest rate volatility, with a portion of the risk associated with variable-rate airport system revenue bonds (\$207 million) hedged by two standard London Interbank Offered Rate-based swaps. The authority has also entered into several additional, similarly structured forward-starting swaps to lock in borrowing costs for future variable-rate bonds issued to fund the CCP.

Under all agreements, interest and termination payments are subordinate and subsubordinate, respectively, to payment of senior bond debt service. Moreover, the agreements contain collateral posting requirements in the event of credit deterioration and optional termination at the discretion of the authority. In Fitch's opinion, the authority's current and future exposure to rising interest rates and derivative instruments is appropriate, as it is supported by an overall conservative approach to debt management, including well-defined policies for the use of both variable-rate products and swaps.

### ■ Security Provisions

**Security:** The series 2007B bonds will be secured on a parity basis with outstanding airport system revenue bonds and CP notes by a pledge of authority net revenues. Authority net revenues include revenues generated at both Dulles and National, plus transfers, if any, from the general purpose fund to the revenue fund, following payment of operations and maintenance (O&M) expenses. CP notes are further secured by two credit facilities allowing up to \$420 million in total CP draws at any given time. PFC notes, which are backed by a letter of credit, are secured by a pledge of the MWAA's PFC revenues.

Fitch continues to recognize the strength of the revenue-sharing arrangement enjoyed by the authority under the indenture. As revenues may be shared and rates adjusted, if needed, at the remaining airport to make debt service payments, the authority is able to hedge its financial position against a prolonged, unexpected closure of one of its facilities. Most recently, this arrangement successfully benefited MWAA following the events of Sept. 11, 2001, when National was closed through early October 2001 and re-opened in phases through April 2002.

**Rate Covenant:** The authority covenants to establish fees at both airports that will produce net revenues at least equal to the greater of 1.25x the aggregate annual debt service on bonds and subordinated bonds (if any) for the year or the amounts required to be deposited during the year into all funds pursuant to the indenture.

**Debt Service Reserve Fund:** The authority has covenanted to deposit or cause to be deposited an amount equal to the debt service reserve requirement for each series of bonds within their respective debt service reserve funds. Generally, the debt service reserve requirement is an amount equal to the least of 125% of average annual debt service, 10% of par, or maximum annual debt service (MADS).

### ■ Metropolitan Washington Airports Authority

MWAA was created in 1985 under the Virginia Act and the District Act, with the consent of the U.S. Congress, for the purpose of operating, maintaining, and improving the Dulles and National airports, which are federally owned. Under the acts, the authority maintains the ability to develop, construct, and enlarge the airports; issue self-supporting revenue bonds; and fix, revise, and collect airport user rates and charges. Fully independent from the District of Columbia, the commonwealth of Virginia, and the federal government, the authority does not have any taxing power.

Under a federal lease dated June 7, 1987, the U.S. government transferred a leasehold interest in all the then-existing real property and title to equipment, materials, furnishings, and other property related to the airports (excluding federal air traffic-related facilities) to the authority for an initial term of 50 years (to June 2037). Pursuant to its terms, during April 2003, the U.S. Secretary of Transportation and MWAA agreed to further lengthen the lease term by 30 years (to June 6, 2067). Property acquired since execution of the lease, including the 1,540 acres of land and aviation easements required to complete CCP projects at Dulles, is not subject to the federal lease. However, upon its expiration, this land, along with the initially transferred property, will revert to the federal government.

### Washington-Dulles International Airport

Dulles, which opened for service in 1962, is located on approximately 11,830 acres (exclusive of the Dulles Access Highway) in Fairfax and Loudoun counties in Virginia, about 26 miles from Washington, D.C. The airport has three runways, two of which are 11,500 feet in length, capable of handling stage-V aircraft (Boeing 747 equivalent). Existing and planned airfield capacity is also sufficient to handle the 550-seat Airbus A-380 aircraft, although widening of runway and taxiway pavements may be required by the Federal Aviation Administration. The main terminal and four midfield concourses, which are connected primarily via mobile lounges, house more than 106 aircraft gates; Dulles has approximately 24,000 public parking spaces.

Despite its status as a growing international hub for United, approximately 64% of Dulles' traffic is O&D in nature. Consequently, the airport remains somewhat protected from the routing decisions of individual airlines. Prior to the arrival of now-defunct Independence Air, Dulles was primarily considered a

higher-priced international and long-haul domestic facility, largely incapable of sustaining a base of short- to medium-haul, lower-cost domestic traffic. Although short-lived, Independence demonstrated demand for low-cost carrier (LCC) domestic service at Dulles to shorter-haul destinations. In response, several LCC's have entered the market, including Southwest, which commenced service at Dulles in October 2006. The presence of these carriers, which include JetBlue, AirTran Airways, and Sun Country Airlines, as well as United's low-cost entity Ted, has served to lower fares in the market as incumbent airlines react to growing competition.

### Washington-Reagan National Airport

National, which opened for service in 1941, is located on 860 acres along the Potomac River in Arlington, VA, about four miles from Washington, D.C. The airport's physical facilities include three runways, the longest of which is approximately 6,900 feet; 44 aircraft gates across three passenger terminals, the newest of which (interconnected Terminals B and C) opened in 1997; and 8,116 public parking spaces. Terminals B and C offer convenient direct connections to the District of Columbia's Metrorail public transit system. Approximately 17% of National's passenger base utilizes Metrorail, making the transit system one of the most used for airport connections in the country.

National's traffic profile remains oriented toward O&D traffic (83%), which ensures a stable base level of airline service over time. However, the ability of air carriers to augment their schedules is limited by various federal regulations, including the "high density rule," which limits the number of air carrier, regional air carrier, and general aviation flights that can be scheduled, and the "perimeter rule," which generally limits nonstop city pairs to no more than 1,250 statute miles. Consequently, National serves primarily short- to medium-haul markets and provides frequent service to high-density corridors throughout the Northeast.

### Dulles Toll Road

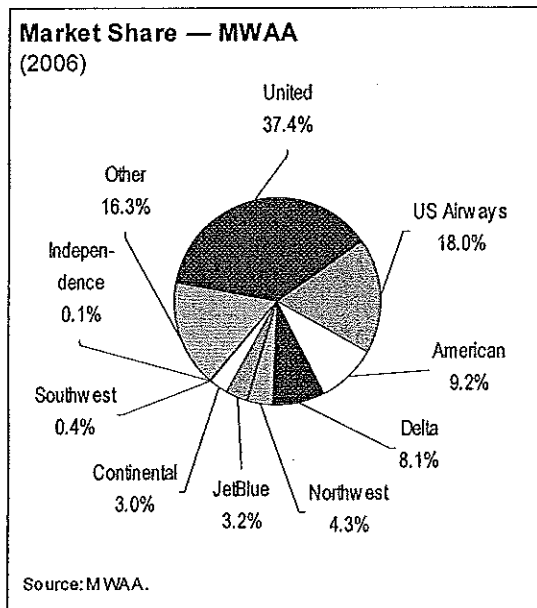
In December 2006, the authority entered into an agreement with the Virginia Department of Transportation (VDOT), through which VDOT will transfer responsibility to operate and maintain the Dulles Toll Road to the authority. In exchange, the authority will use toll revenue to construct an extension of Metrorail from East Fairfax, VA through Dulles to Loudoun County. Operating responsibility for Metrorail remains with the Washington Metropolitan Transportation Authority.

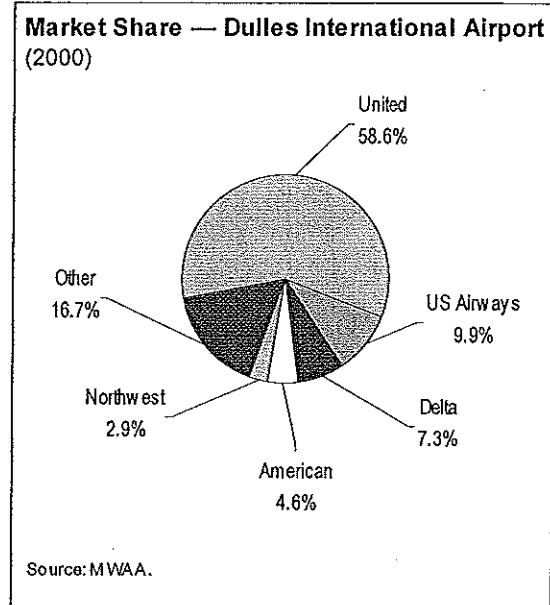
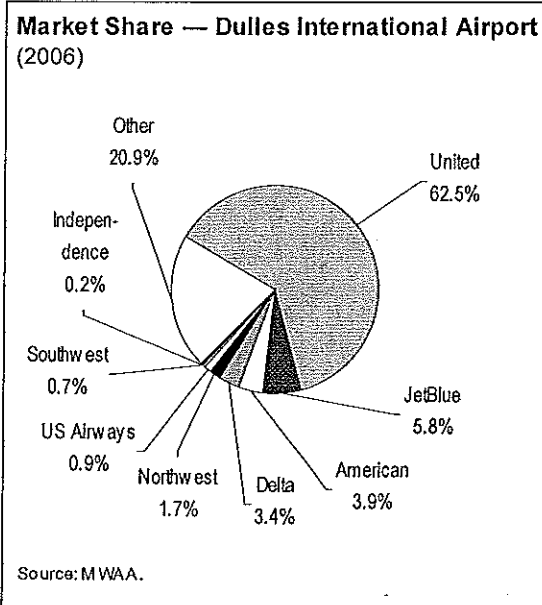
With the exception of CCP funds previously slated for the authority's share of construction costs (\$205 million) related to the Metrorail station at Dulles, including a small amount of PFCs, revenue from the operation of Dulles and National airports is not available to support the authority's toll road or Metrorail-related projects. All toll road and Metrorail-related debt will be issued under a separate indenture; the debt will be payable solely from toll road-related revenue. Furthermore, the airlines have approved an amendment to the use and lease agreement removing toll road revenue from the definition of airport net revenue.

### ■ Airline Market Share

As of August 2007, Dulles was served by 46 carriers providing 2,647 weekly flights to 80 domestic destinations and 422 weekly scheduled flights to 37 international cities, consisting of 10 major/national airlines, 19 foreign-flag carriers, 14 regional/commuter lines, and three all-cargo carriers. Moderate airline concentration exists at the airport, as United and its United Express regional affiliates accounted for 62.5% of total enplanements in 2006. JetBlue was second with 5.8%, followed by American Airlines (American) with 3.9%. Southwest accounted for just 0.7% of enplanements in 2006, but should represent a larger share with a full year of operations in 2007.

National is served by 29 carriers that collectively provide service to 72 destinations, including cities in Canada, Bermuda, and the Bahamas. During 2006, US Airways, together with its regional partners,



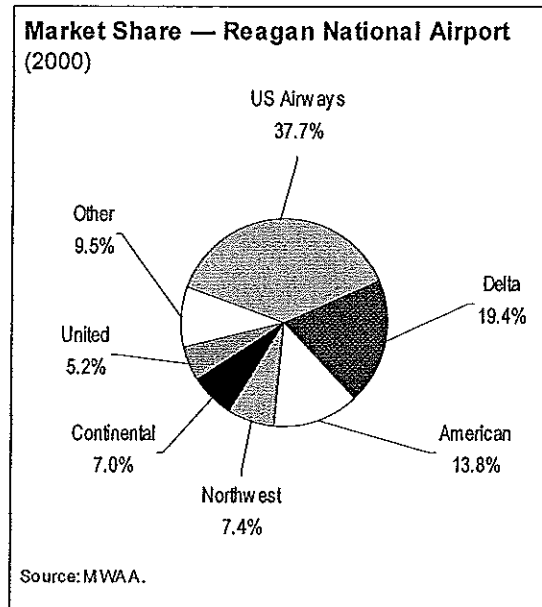
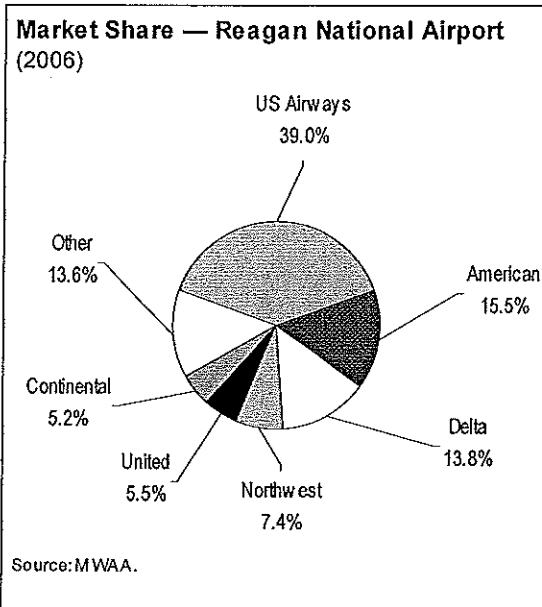


explained the majority of traffic at the airport (39% of enplanements), with American (including regional affiliates; 15.5%) and Delta (including regional affiliates; 13.8%) boarding the second and third largest shares, respectively. As of August 2007, nonstop service from National consisted of 2,642 weekly flights.

routes. However, given the already fairly diverse mix of carriers serving the airport and the propensity of the federal government to award new slot openings to LCCs and other air carriers, U.S. Airways' market share should remain fairly stable.

Fitch expects U.S. Airways to maintain its market leading presence at National on key business and leisure

While the level of concentration at each airport raises credit concerns as stand-alone entities, on an overall basis, the level of concentration diminishes as United accounted for 37.4% of total enplanements in 2006,



while US Airways represented 18%. Furthermore, as both airports have a significant level of O&D traffic, Fitch believes other carriers would act quickly to capture traffic in this important national market.

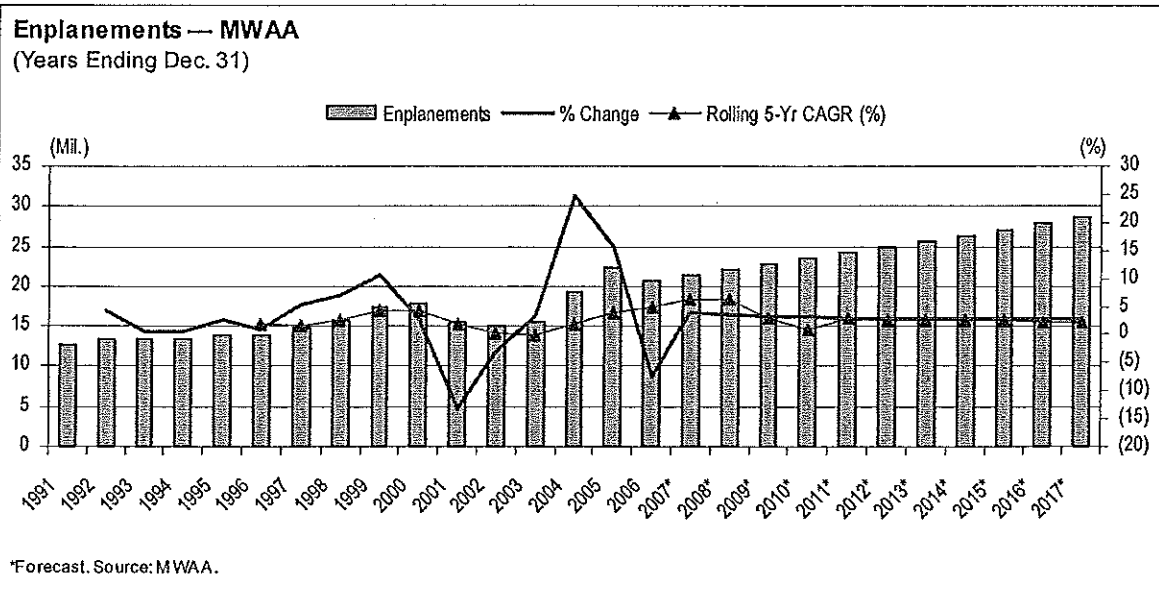
### ■ Enplanement Trends

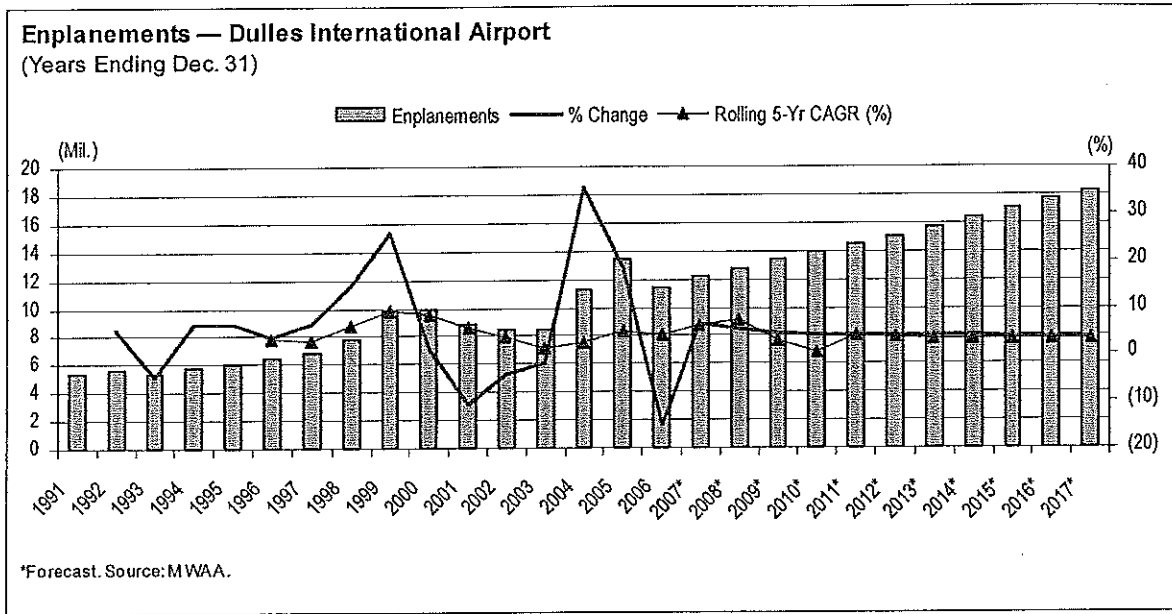
After experiencing a significant decline in traffic in 2006, enplanements at authority airports were up 6.3% overall through the first seven months of 2007. However, trends at the two airports have diverged with Dulles experiencing a rebound in traffic due to new service introduced following the loss of Independence Air, while traffic at National has stabilized as the airport again bumps up against its statutory operating limits.

The authority experienced a record year in 2005 due to intense competition spurred by Independence Air's low fares, which stimulated traffic at Dulles. With Independence Air's commencement of operations in June 2004, the airport recorded a 60% overall gain in enplanements between 2003 and 2005 to reach 13.4 million enplanements. However, some of those gains evaporated as quickly as they came, as Independence filed for bankruptcy and ceased operations in January 2006. As a result, fares began to trend upward while traffic declined 15% to 11.4 million enplanements in 2006. Still, this was well above the pre-Independence Air level of 8.4 million enplanements in 2003, indicating the airport retained some of Independence Air's traffic through incumbent airlines, as well as growth of the service area surrounding the airport.

Enplanement trends at Dulles turned positive in November 2006 and strengthened through the first six months of 2007, with volume up 11.9% through June. Gains came through additional service from incumbent carriers like United and the addition of service from Southwest. While Southwest was an important addition on the domestic front, United and several foreign carriers have steadily added international routes as Dulles begins to capitalize on its status as the airport for the nation's capital. United recently relocated its Tokyo route to Dulles from New York's JFK International Airport and added nonstop service to Beijing and Rome, with service Rio De Janeiro planned for October 2007. In addition, foreign carriers added service to Doha (Qatar), Madrid, Dublin, and Panama City, while other carriers expanded service to London, Seoul, and Addis Ababa (Ethiopia). The authority also expects Virgin America Airlines to commence service to San Francisco and Los Angeles later in 2007. While fluctuations in service levels are likely over time, especially at United, Fitch believes that the current service trend at Dulles is more sustainable than that spurred by Independence Air due to the more rational approach in both pricing and level of service offered and the service area's continued growth in population and wealth levels.

At National, enplanements have stabilized following a strong period of growth from 2002–2005. After the prolonged closure of National following the events of Sept. 11, 2001, traffic grew 9.9% in 2003 and increased to 12% in both 2004 and 2005 as additional

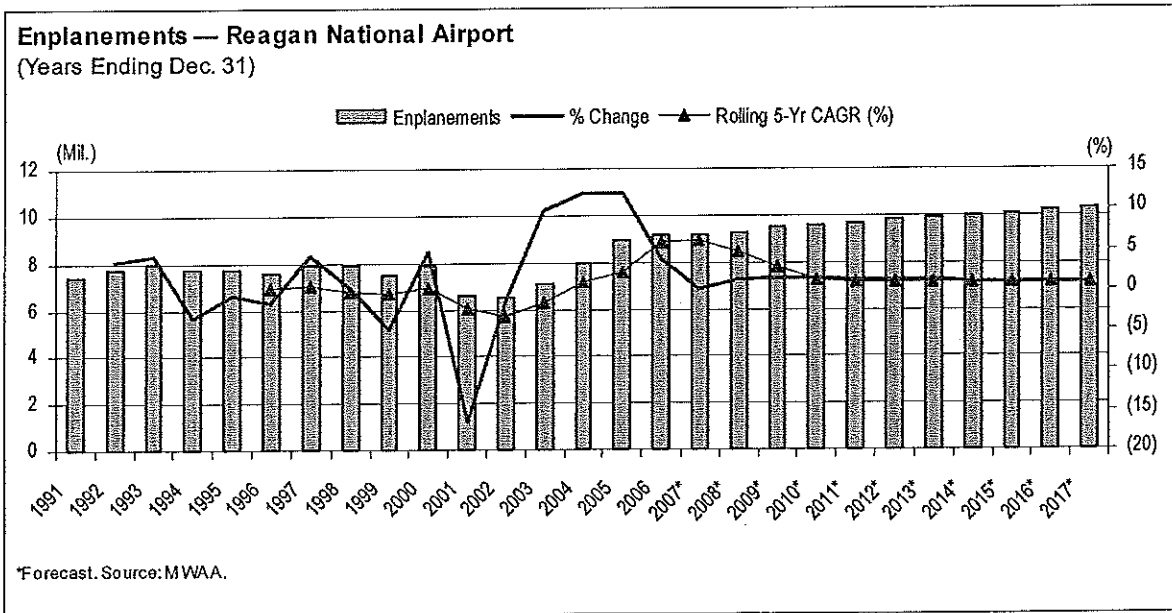




slots were opened at the airport. In 2006, enplanements increased 3.7%, largely due to the use of larger aircraft and higher load factors. For the first six months of 2007, enplanements were down 0.2% at the airport due to the effects of statutory flight limitations.

Regional jets continue to account for a substantial proportion of domestic enplanements at both airports. At Dulles, regional jets accounted for 55.8% of

operations in the first six months of 2007, up from 24.4% in 2001, while National recorded an increase to 42.8% from 14.8% in 2001. The shift to regional jets from mainline aircraft is in line with a larger national trend of greater regional jet utilization. However, Dulles also experienced a shift to regional jets from smaller turboprops, resulting in an increase in the average number of seats per domestic flight to 87 in the first half of 2007 from 63 in 1996.



In Fitch's view, the moderate level of risk related to operations at both airports is adequately reflected in the forecasts of the airport's consultant. From 2006–2017, the consultant projects enplanements will grow faster at Dulles than at National, mainly due to the various restrictions in effect at National.

The forecast for National reflects flying restrictions established by the "high-density" and "perimeter" rules at the airport. The forecast assumes the airport will experience no change in enplanements for 2007, then grow at an average annual rate of 1.2% through 2012 and 1% annually thereafter through 2017. This growth is anticipated to result from the use of larger aircraft and high load factors rather than any service additions. At the end of the forecast period, National is projected to account for 36% of total authority enplanements, an 8.8% reduction from 2006's figure of 44.8%.

At Dulles, enplanements are forecasted to reach 18.3 million in 2017. The forecast calls for a 6.7% increase in 2007, based on year-to-date activity, the addition of service by Virgin America, and a planned reduction in capacity by United later in 2007. After 2007, enplanements are anticipated to grow at a 4.2% average annual rate through 2017, a level Fitch considers a bit high but plausible, based on the growth of the surrounding area and demand for international air service to the nation's capital.

### ■ Airport Use Agreement and Premise Lease

The authority entered into a 25-year airport use agreement and premises lease (use and lease agreement) with the signatory airlines serving Dulles and National in 1990. The hybrid agreement, which can be canceled by the authority after 15 years (December 2004), provides the airlines with an interest in the strong financial performance of the airports through a revenue-sharing provision. Although the authority is unlikely to terminate this agreement, some minor modifications may be made over time. The agreement divides each airport into direct and indirect cost centers (with possible subcenters), depending on geographic location and function. Signatory carriers pay rentals and fees based on their lease of space and usage of cost centers within the airline-supported areas.

The authority may adjust rates at midyear or when revenue falls 5% or more below projections, and it has the ability to establish an extraordinary coverage protection payment to ensure that rates and charges

provide net remaining revenues of at least 125% of debt service at each airport. Net remaining revenues are allocated between MWAA and the airlines, with the authority's share reflected in its capital fund. The allocated revenues are to be expended at the airports, and the signatory airlines' portion used to reduce rents and fees for the airlines in the following year.

### ■ Financial Operations

Authority finances are sound, confirmed by sound levels of liquidity and historically healthy operating performance and debt service coverage.

### Liquidity and Reserves

According to MWAA's Dec. 31, 2006 audited financial statements, unrestricted cash and investments totaled \$267.6 million, representing a sound 7.4% of the authority's outstanding debt portfolio (\$3.6 billion) and approximately 336 days of operating expenses (excluding depreciation). Restricted cash and investments (\$483.6 million), including debt service reserve funds (\$263.4 million), provided additional support. Future bonding to support the CCP could strain these resources to some degree, although material weakening is not anticipated.

As of June 30, 2007, authority cash reserves totaled \$527.4 million, approximately \$297 million of which represented airport system revenue bond debt reserve service funds; an operating reserve (equal to 60 days operating expenses) of \$44.6 million; and an emergency fund of \$5.8 million. Approximately \$89.9 million of cash reserves are fully unencumbered, with an additional \$90.1 million reserved for capital projects, albeit accessible if needed.

### Operating Performance

Operating revenue declined slightly in 2006, reflecting lower landing fee revenue from the decrease in operations after the demise of Independence Air. Rental income improved slightly, reflecting recently completed projects at Dulles, while concession revenue remained essentially flat. Operating expenses rose a modest 2.8%, with the authority's operating ratio equaling 38.5% for the year. Such performance is consistent with those of prior years, particularly since Sept. 11, 2001. Payments collected from air carriers pursuant to the airline use and lease agreement equaled approximately 58% of total operating revenue for 2006, which is also consistent with historical levels.

## Balance Sheet

(\$000, Years Ended Dec. 31)

|   | 2003      | 2004      | 2005        | 2006        |
|---|-----------|-----------|-------------|-------------|
| <b>Current Assets</b>                                       |           |           |             |             |
| Unrestricted Cash and Cash Equivalents                      | 35,682    | 33,833    | 23,143      | 26,014      |
| Unrestricted Investments                                    | 106,326   | 197,182   | 233,117     | 241,608     |
| Net Accounts Receivable                                     | 19,295    | 20,033    | 26,797      | 23,290      |
| Inventory   | 1,890     | 3,634     | 3,432       | 3,637       |
| Prepaid Expenses and Other Current Assets                   | 3,642     | 3,855     | 5,818       | 7,086       |
| Total Unrestricted Assets                                   | 166,835   | 258,537   | 292,307     | 301,636     |
| Restricted Cash and Cash Equivalents                        | 238,607   | 97,351    | 324,715     | 219,855     |
| Passenger Facility Charges (PFCs)                           | 14,797    | 53,486    | 34,157      | 14,153      |
| Accounts Receivable, PFCs, and Other Restricted Assets      | 8,589     | 15,386    | 9,866       | 11,258      |
| Restricted Investments                                      | 20,832    | 85,661    | 17,254      | 263,741     |
| Total Restricted Assets                                     | 282,825   | 251,884   | 385,992     | 509,007     |
| <b>Current Assets</b>                                       | 449,660   | 510,422   | 678,299     | 810,643     |
| Land  | 49,067    | 49,069    | 105,350     | 118,145     |
| Construction in Progress                                    | 619,051   | 746,007   | 978,541     | 1,389,284   |
| Buildings, Systems, and Equipment                           | 2,894,632 | 3,141,673 | 3,423,920   | 3,705,349   |
| Less: Accumulated Depreciation                              | (818,687) | (939,466) | (1,064,547) | (1,194,209) |
| Net Capital Assets  | 2,744,063 | 2,997,284 | 3,443,263   | 4,018,569   |
| Long-Term Investments                                       | 50,511    | 9,471     | 14,583      | 29,974      |
| Long-Term Investments, Restricted                           | 144,682   | 172,325   | 206,461     | 263,396     |
| Other Long-Term Assets                                      | 2,045     | —         | 302         | —           |
| Net Pension Assets  | 2,115     | 1,750     | 1,628       | 4,956       |
| Net Bond Issuance Costs                                     | 34,791    | 41,414    | 43,578      | 55,363      |
| Total Noncurrent Assets                                     | 2,978,208 | 3,222,244 | 3,709,815   | 4,372,257   |
| <b>Total Assets</b>   | 3,427,868 | 3,732,666 | 4,388,114   | 5,182,899   |
| <b>Current Liabilities</b>                                  |           |           |             |             |
| Accounts Payable and Accrued Expenses                       | 29,572    | 42,714    | 45,520      | 44,359      |
| Operating Lease Obligations                                 | 341       | 341       | 341         | 341         |
| Total Payable from Unrestricted Assets                      | 29,914    | 43,055    | 45,861      | 44,701      |
| Accounts Payable and Accrued Expenses                       | 48,829    | 51,766    | 70,384      | 76,770      |
| Accrued Interest Payable                                    | 27,798    | 29,592    | 36,726      | 41,153      |
| Bonds Payable   | 56,105    | 59,035    | 69,235      | 72,460      |
| Total Payable from Restricted Assets                        | 132,732   | 140,393   | 176,345     | 190,384     |
| <b>Total Current Liabilities</b>                            | 162,646   | 183,448   | 222,206     | 235,084     |
| <b>Noncurrent Liabilities</b>                               |           |           |             |             |
| Other Payables from Restricted Assets                       | 210       | —         | —           | —           |
| PFC Bank Participation Notes                                | 187,700   | 187,700   | 400,000     | 400,000     |
| Commercial Paper Notes                                      | 150,000   | 150,000   | 186,000     | 200,000     |
| Net Bonds Payable   | 2,271,064 | 2,469,704 | 2,759,228   | 3,410,917   |
| Total Noncurrent Liabilities Payable from Restricted Assets | 2,608,973 | 2,807,404 | 3,345,228   | 4,010,917   |
| Noncurrent Liabilities Payable from Unrestricted Assets     | 1,301     | 654       | 313         | —           |
| Total Noncurrent Liabilities                                | 2,610,274 | 2,808,058 | 3,345,541   | 4,010,917   |
| <b>Total Liabilities</b>                                    | 2,772,920 | 2,991,506 | 3,567,747   | 4,246,002   |
| <b>Net Assets</b>   |           |           |             |             |
| Net Invested in Capital Assets                              | 428,498   | 344,584   | 492,385     | 598,949     |
| Restricted Net Assets                                       | 36,158    | 170,526   | 65,338      | 46,083      |
| Unrestricted Net Assets                                     | 190,292   | 228,049   | 262,645     | 291,865     |
| Total Net Assets  | 654,948   | 741,159   | 820,368     | 936,897     |

Note: Numbers may not add due to rounding.

With the increase in activity at Dulles, the authority's financial performance to date for 2007 remains strong. In addition to the up tick in passenger levels, the authority is benefiting from a revamped

concession program and an increase in parking fees at National, with concession revenue running 10% ahead of the 2006 level. Thus, Fitch expects the

**Income Statement**

(\$000, Years Ended Dec. 31)

|  | 2003      | 2004      | 2005      | 2006      |
|--|-----------|-----------|-----------|-----------|
| <b>Operating Revenues</b>                          |           |           |           |           |
| Concessions  | 146,096   | 173,963   | 198,691   | 199,011   |
| Rents  | 130,803   | 143,390   | 153,865   | 156,164   |
| Landing Fees                                       | 67,637    | 76,274    | 76,359    | 73,375    |
| Utility Sales                                      | 11,868    | 12,035    | 10,935    | 11,249    |
| Passenger Fees                                     | 27,879    | 29,475    | 26,973    | 25,475    |
| Other  | 5,356     | 7,149     | 10,399    | 5,894     |
| Total  | 389,638   | 442,286   | 477,222   | 471,169   |
| <b>Operating Expenses</b>                          |           |           |           |           |
| Materials, Equipment, and Supplies                 | 134,105   | 130,128   | 142,107   | 151,010   |
| Salaries and Related Benefits                      | 95,192    | 98,859    | 113,878   | 113,871   |
| Utilities  | 16,754    | 18,755    | 21,494    | 20,359    |
| Lease from U.S. Government                         | 4,304     | 4,375     | 4,505     | 4,690     |
| Operating Expenses Before Depreciation             | 250,356   | 252,116   | 281,985   | 289,930   |
| Operating Income Before Depreciation               | 139,283   | 190,170   | 195,237   | 181,239   |
| Depreciation and Amortization                      | 114,950   | 126,178   | 132,425   | 133,106   |
| Operating Income                                   | 24,332    | 63,992    | 62,812    | 48,132    |
| <b>Non-Operating Revenues/(Expenses)</b>           |           |           |           |           |
| Passenger Facility Charges (PFCs), Financing Costs | (1,138)   | (1,525)   | (1,497)   | (2,026)   |
| Investment Income                                  | 5,896     | 10,386    | 20,194    | 45,035    |
| Interest Expense                                   | (95,610)  | (89,369)  | (103,561) | (97,000)  |
| Swap Payments                                      | —         | (3,662)   | (4,856)   | (1,854)   |
| Unrealized Swap Gain/(Loss)                        | 5,572     | 1,601     | 6,082     | (12,718)  |
| Total  | (85,279)  | (82,569)  | (83,658)  | (68,563)  |
| Loss Before Capital Contributions                  | (60,947)  | (18,576)  | (20,846)  | (20,431)  |
| <b>Capital Contributions:</b>                      |           |           |           |           |
| PFCs   | 58,438    | 76,060    | 88,315    | 81,490    |
| Federal and State Grants                           | 14,378    | 28,727    | 11,739    | 54,239    |
| Other Capital Property Contributed                 | 6,045     | —         | —         | 1,232     |
| Total  | 78,861    | 104,787   | 100,054   | 136,961   |
| Increase in Net Assets                             | 17,914    | 86,211    | 79,208    | 116,530   |
| <b>Indenture-Based Debt Service Coverage</b>       |           |           |           |           |
| Total Revenues                                     | 396,038   | 445,486   | 508,433   | 525,099   |
| Operations and Maintenance                         | (196,434) | (210,631) | (234,703) | (234,849) |
| Net Revenues                                       | 199,604   | 234,855   | 273,730   | 290,250   |
| Total Debt Service                                 | 141,829   | 140,079   | 164,668   | 163,355   |
| Debt Service Coverage Ratio (x)                    | 1.41      | 1.68      | 1.66      | 1.78      |

Note: Numbers may not add due to rounding.

authority's performance measures to at least remain at previous levels for 2007.

**Debt Service Coverage**

Calculated according to the indenture, net revenue available for debt service equaled approximately \$290 million for 2006, providing about 1.8x coverage of total debt service. Since 2004, coverage has returned to levels typically generated by the authority prior to the events of Sept. 11, 2001. Notably, Fitch recognizes that the lower coverage levels recorded in both 2002 and 2003 reflect a decision by authority management to use a portion of its share of net remaining revenues collected under the use and lease

agreement to reduce rates and charges for the signatory airlines.

With an additional \$3.2 billion of airport system revenue bonds expected to be issued in support of the CCP through 2015, coverage levels are forecast to decline slightly, generally ranging from approximately 1.5x–1.6x through 2017. Although somewhat below historical levels, Fitch understands the importance of the demand-driven CCP to the long-term viability of both authority airports and expects operations to continue generating coverage well in excess of the minimum 1.25x rate covenant.

### 2007 Combined System Feasibility Study

(\$000, Years Ended Dec. 31)

|                                 | 2006*          | 2007**         | Forecast       |                |                |                |                  |                  |                  |  |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|--|
|                                 |                |                | 2008           | 2009           | 2010           | 2011           | 2013             | 2015             | 2017             |  |
| <b>Airline Revenues</b>         |                |                |                |                |                |                |                  |                  |                  |  |
| Landing Fees                    | 90,988         | 108,771        | 120,111        | 145,277        | 166,038        | 186,757        | 207,186          | 247,590          | 279,016          |  |
| Terminal Rentals                | 177,683        | 191,590        | 206,599        | 255,952        | 295,051        | 314,868        | 381,871          | 432,331          | 464,543          |  |
| Passenger Conveyance            | 19,970         | 23,269         | 23,968         | 10,469         | 14,717         | 18,593         | 20,086           | 21,384           | 22,806           |  |
| Equipment Charges               | 3,857          | 2,403          | 3,323          | 3,317          | 3,317          | 3,317          | 3,318            | 3,317            | 3,318            |  |
| Other Rents                     | 19,388         | 19,547         | 25,001         | 30,809         | 34,369         | 35,708         | 42,963           | 46,449           | 50,146           |  |
| Utility Reimbursements          | 7,349          | 7,635          | 7,917          | 8,221          | 8,525          | 8,841          | 9,395            | 9,992            | 10,750           |  |
| Concessions                     | 165,533        | 177,670        | 189,971        | 206,131        | 219,507        | 246,234        | 289,395          | 328,324          | 366,580          |  |
| TSA Security Fees               | 1,303          | 2,941          | 3,000          | 3,060          | 3,122          | 3,184          | 3,313            | 3,446            | 3,586            |  |
| Investment Earnings             | 27,735         | 28,440         | 30,567         | 37,351         | 41,843         | 47,029         | 54,126           | 57,590           | 60,417           |  |
| Other                           | 5,794          | 6,052          | 6,294          | 6,632          | 6,898          | 7,174          | 7,759            | 8,392            | 9,077            |  |
| <b>Total Airline Revenues</b>   | <b>519,600</b> | <b>568,318</b> | <b>616,752</b> | <b>707,220</b> | <b>793,387</b> | <b>871,704</b> | <b>1,019,411</b> | <b>1,158,817</b> | <b>1,270,239</b> |  |
| O&M Expenses                    | 229,350        | 262,860        | 276,758        | 293,858        | 306,833        | 322,337        | 357,938          | 393,568          | 425,683          |  |
| Net Revenues                    | 290,250        | 305,457        | 339,993        | 413,362        | 486,553        | 549,367        | 661,473          | 765,249          | 844,556          |  |
| Senior Bond Debt Service        | 163,355        | 171,005        | 197,590        | 256,217        | 313,890        | 361,307        | 430,874          | 495,027          | 541,106          |  |
| Debt Service Coverage Ratio (x) | 1.78           | 1.79           | 1.72           | 1.61           | 1.55           | 1.52           | 1.54             | 1.55             | 1.56             |  |
| Dulles:                         |                |                |                |                |                |                |                  |                  |                  |  |
| Domestic Enplanements           | 8,797          | 9,215          | 9,575          | 9,950          | 10,325         | 10,715         | 11,520           | 12,375           | 13,250           |  |
| International Enplanements      | 2,595          | 2,935          | 3,215          | 3,440          | 3,640          | 3,830          | 4,215            | 4,630            | 5,075            |  |
| <b>Total Enplanements</b>       | <b>11,392</b>  | <b>12,150</b>  | <b>12,790</b>  | <b>13,390</b>  | <b>13,965</b>  | <b>14,545</b>  | <b>15,735</b>    | <b>17,005</b>    | <b>18,325</b>    |  |
| Total National Enplanements     | 9,240          | 9,240          | 9,340          | 9,461          | 9,582          | 9,695          | 9,910            | 10,110           | 10,300           |  |
| <b>Total Enplanements</b>       | <b>20,632</b>  | <b>21,390</b>  | <b>22,130</b>  | <b>22,851</b>  | <b>23,547</b>  | <b>24,240</b>  | <b>25,645</b>    | <b>27,115</b>    | <b>28,625</b>    |  |
| CPE -- Dulles (\$)              | —              | 12.93          | 13.42          | 16.19          | 18.76          | 19.76          | 22.31            | 23.59            | 23.39            |  |
| CPE -- National (\$)            | —              | 10.80          | 9.97           | 11.14          | 11.81          | 12.30          | 12.30            | 12.26            | 13.65            |  |
| Sensitivity 1:                  |                |                |                |                |                |                |                  |                  |                  |  |
| Debt Service Coverage Ratio (x) | —              | 1.79           | 1.52           | 1.43           | 1.39           | 1.37           | 1.38             | 1.38             | 1.39             |  |
| CPE -- Dulles (\$)              | —              | 12.93          | 21.11          | 19.04          | 33.33          | 35.02          | 39.53            | 42.22            | 42.31            |  |
| CPE -- National (\$)            | —              | 10.80          | 10.08          | 11.47          | 12.38          | 13.12          | 13.57            | 13.98            | 15.96            |  |
| Sensitivity 2:                  |                |                |                |                |                |                |                  |                  |                  |  |
| Debt Service Coverage Ratio (x) | —              | 1.79           | 1.72           | 1.60           | 1.53           | 1.48           | 1.47             | 1.48             | 1.49             |  |
| CPE -- Dulles (\$)              | —              | 12.93          | 13.42          | 16.39          | 19.31          | 20.75          | 24.44            | 26.55            | 26.62            |  |
| CPE -- National (\$)            | —              | 10.80          | 9.97           | 11.16          | 11.99          | 12.61          | 12.63            | 12.61            | 14.26            |  |

\*Actual. \*\*Estimated. Note: Numbers may not add due to rounding. Source: MWAA; PB Aviation.

#### Forecast

Higher debt service associated with the expanded CCP will become an increasing burden to the signatory carriers at Dulles and National as their respective rate bases absorb the authority's increased debt carrying charges. At Dulles, the CPE is forecast to rise sharply, from a competitive \$12.93 in 2007 (estimated) to a fairly high \$23.39, although still manageable and comparable to other international gateway airports, by 2017. Fees for domestic carriers should be slightly less than for international carriers, who will be assessed fees associated with the international arrivals building (IAB) and federal inspection services. The CPE at National is also projected to increase, albeit more modestly, from \$10.80 in 2007 (estimated) to approximately \$13.65 by 2017. Fitch notes that the projected CPEs at both airports are about average for large hub facilities engaged in major capital programs. However, the metrics are well above historical levels.

Fitch reviewed two stress scenarios, prepared by the authority's feasibility consultant, highlighting the impact of significantly reduced traffic and full implementation of the CCP or an unexpected increase in borrowing costs on the forecast CPEs of Dulles and National. In Fitch's view, the scenario based on constrained traffic growth is most plausible. Under this scenario, enplanements at National would remain constant between 2007 and 2016, while Dulles would lose its status as an airline hub beginning in 2008, resulting in O&D and connecting traffic declines of 15% and 75% from the consultant's base case forecast, respectively, over the subsequent nine years.

As expected, the CPEs under the stressed traffic assumptions rise substantially at both airports. At Dulles, the CPE reaches an uncompetitive maximum of \$43.28 during 2016, while National also records a fairly high, though more reasonable, \$15.96 in 2017. While

these potential increases are somewhat alarming, Fitch notes that the stressed CPEs conservatively assume all the debt associated with the CCP (\$3.6 billion) will be issued. This is not likely, given the modular nature of the CCP and management's ability and willingness to postpone certain capital projects and their related debt issuances should activity levels fall short of forecast levels.

### ■ Capital Construction Program: 2011–2016

The authority's 2001–2016 CCP totals \$7.1 billion in projects, of which \$2.9 billion has been expended to date. Projects at Dulles include the planning and construction of the Tier 2 concourse, a 41-gate replacement facility for existing concourses C and D, for which the authority is in negotiations with United on design and funding; construction of a fourth runway; an automated people-mover system that will replace most of the mobile lounges; a federal inspection facility; a consolidated rental car facility; and renovation and expansion of the main IAB. Projects at National include a consolidated communications center, renovation of Terminal A, and runway overlay projects.

Large capital improvement projects are subject to majority-in-interest (MII) approval of the signatory carriers prior to their initiation. While the authority may still bond finance a project without MII approval (after waiting one year), authority management typically seeks the approval of the airlines to ensure recovery of a portion of project costs from rates and charges. The active segment of the CCP, the portion of the overall plan to be completed in 2016, has received necessary MII approval from the signatory airlines and is scheduled for completion in 2016.

Of the now approximately \$7 billion CCP, \$2.9 billion of projects have been completed, with an additional \$4.2 billion remaining over the next decade, the majority of which will be placed into service by 2012. The majority (approximately 93%) of 2001–2016 CCP costs were incurred for completed and ongoing projects at Dulles, including the renovation and expansion of terminal infrastructure, construction of a pedestrian walk-back tunnel and automated people-mover system to connect midfield concourses to the main terminal, and construction of a fourth runway, among others. The more significant capital needs at Dulles versus National reflect the airport's status as an international gateway airport/airline hub, serving a growing number of domestic and international passengers.

Funding for the \$7 billion CCP plan includes proceeds from prior bonds (30%), the series 2007B bonds (6%), future bond issuances (32%), PFCs (24%), and federal and state grants (8%). The authority expects to sell an additional \$3.2 billion of bonds to fund capital expenses, capitalized interest, debt service reserve requirements, and financing costs through 2015.

### ■ Service Area

The authority's air trade area is the Washington-Arlington-Alexandria core-based statistical area, consisting of 22 jurisdictions: the District of Columbia; the Maryland counties of Calvert, Charles, Frederick, Montgomery, and Prince George's; the Virginia counties of Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren; the independent Virginia cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park; and the West Virginia county of Jefferson.

The population of the service area was approximately 5.3 million in 2006, or about 38% of the entire population of the Washington, D.C.-Maryland-Virginia area. The largest concentration of population is found in the combined jurisdictions of Fairfax County, Fairfax City, and Falls Church (19.7%); Montgomery County (17.6%); Prince George's County (15.9%); and the District of Columbia (11.0%).

The population within the service area has consistently outpaced population growth in both the surrounding area and the nation. From 2000–2006, the population of the air trade area grew at an annual compounded average rate of 1.7%, compared with 1.1% for the surrounding area and 1.0% for the U.S. Projected growth rates through 2012 call for a continuation of this trend, with the service area growing at a projected rate of 1.2% versus 0.8% for the surrounding area and 0.9% for the nation.

With the residents within the service area among the most affluent in the U.S., considerable disposable income levels support frequent air service. For 2006, the service area's per capita effective buying income (EBI) is estimated at \$35,537, approximately 22% higher than that of the surrounding area (\$29,179) and 43% higher than the U.S. level (\$24,806). Approximately 49.1% of households within the service area have an EBI exceeding \$50,000, compared with 36.7% for the Washington, D.C.-Maryland-Virginia area and 29.2% for the nation.

Service area employment has been growing faster than the labor force, resulting in a below-average unemployment rate. The employment base is diverse, with professional services, government, trade, and

transportation and public utilities making up the four largest sectors. As a percentage of total non-agricultural employment, government employment decreased to about 21.5% in 2006 from 40% in 1970.

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Moody's Investors Service

Global Credit Research

New Issue

24 AUG 2007

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New Issue: Metropolitan Washington Airports Authority, DC

**MOODY'S ASSIGNS Aa3 RATING TO THE METROPOLITAN WASHINGTON AIRPORT AUTHORITY'S SERIES 2007B REVENUE BONDS; OUTLOOK IS POSITIVE**

**THE AUTHORITY HAS \$4.438 BILLION IN OUTSTANDING REVENUE BONDS**

Airport  
DC

**Moody's Rating**

**ISSUE**

**RATING**

Airport System Revenue Bonds, 2007 B

Aa3

Sale Amount \$530,000,000

Expected Sale Date 09/12/07

Rating Description Airport System Revenue Bonds

**Opinion**

NEW YORK, Aug 24, 2007 -- Moody's Investors Service has assigned an Aa3 underlying rating to the Metropolitan Washington Airport Authority's (MWAA) \$530 million Series 2007B Airport System Revenue Bonds. The outlook is positive. At this time, Moody's is also affirming the Aa3 underlying rating on the authority's outstanding airport system revenue bonds in the amount of \$3.908 billion. MWAA owns and operates both Ronald Reagan Washington National Airport ("National") and Dulles International Airport ("Dulles").

**USE OF PROCEEDS:** Proceeds of the Series 2007B bonds will refund a portion of the authority's outstanding commercial paper, and fund portions of the Capital Construction Program (CCP) and capitalized interest. It is unclear at this point whether the bonds will be issued entirely as fixed rate obligations or if some portion of the issuance will be done via variable rate obligations, likely auction rate securities.

**LEGAL SECURITY:** The Bonds are secured by a first lien on net revenues of the Airport System, which includes both Dulles and National airports.

**INTEREST RATE DERIVATIVES:** The Authority has \$823 million in variable rate debt outstanding, including \$260 million in commercial paper and \$400 million in PFC Notes. The \$823 million does not include \$208 million of variable rate bonds which are hedged by floating-to-fixed interest rate swaps with highly rated counterparties. The total exposure to variable rate debt is approximately 19.9% of total outstanding debt.

In 2005, the authority entered into several forward starting floating-to-fixed interest rate swaps with a total notional amount of \$300 million that were scheduled to become effective in 2006 and 2007. On August 30, 2006 the authority elected to defer the start date of the \$100 million of swaps scheduled to be effective in 2006 until October 1, 2008 in order to take advantage of attractive long-term market conditions. The authority received \$2.77 million from the swap counterparties and the swap rate was raised from 3.5% to 3.84%. The amended swaps are now a qualified hedge for the 2008 Bonds. At this time, the authority may decide to terminate the \$200 million of swaps scheduled to be effective in 2007 or amend the swaps (like was done in 2006) and defer the start dates of the swaps. The Authority also has the option to allow these swaps to become effective and issue variable rate bonds. The authority's strong credit fundamentals, management sophistication, and size of these transactions relative to its financial resources offset concern with any basis risk or termination risk associated with the swaps.

**STRENGTHS**

- \* Two-airport system in nation's capital serves strong, rapidly growing, travel dependent market
- \* Historically strong growth in traffic of the combined airports has bolstered financial performance.
- \* Dulles is poised for continued traffic and revenue growth due to expanding demand for air service, additional low cost carrier service and increased airfield capacity with 4th runway construction underway
- \* Strong, conservative management of airport operations and careful long-term capital planning

#### CHALLENGES

- \* A robust capital plan is expected to lead to continued increases in revenue-supported debt throughout the forecast period.
- \* Increased debt could raise costs and pressure already weak carriers; future costs escalate significantly under the Authority's stress scenario

#### MARKET POSITION/COMPETITIVE STRATEGY: DULLES CORRIDOR PROJECTS SEPARATED FROM AIRPORT FINANCES

The authority continues to move forward with the acquisition of the Dulles Toll Road (DTR) which is expected to expedite the construction of the Metrorail extension out to Dulles Airport. The project is currently waiting for approval from the Federal Transit Administration (FTA) to enter the final design phase. MWAA has completed the creation of a separate Dulles Corridor enterprise to separate the revenues and expenses of the DTR and the Dulles Corridor Metrorail Project extension from the airport finances. The signatory airlines have approved an amended Airline Use and Lease Agreement that allows this enterprise to be formed and its revenues to be excluded from airport revenue. The FTA recently issued a report that requires MWAA to increase its contingency amount for the project and MWAA is currently evaluating options for adjusting project costs to meet this requirement.

Following the cessation of operations by Independence Air, Dulles lost significant traffic and suffered a 15% decline in enplanements in 2006. Traffic at Dulles has returned strongly increasing 11.9% in 2007 year-to-date due to expanded service by United Airlines and the arrival of Southwest Airlines in October 2006. Expanding international service is also adding to passenger flow at Dulles with over 22,000 new seats available per week. The airport has seen new service from four new international airlines (Qatar Airways, Iberia, Aer Lingus and Copa) and flights to 10 new cities and 6 new countries. Traffic at National remains flat at -0.2% growth year-to-date 2007.

#### FINANCIAL POSITION AND PERFORMANCE: STRONG GROWTH IS ACTIVELY MANAGED BY THE AUTHORITY

MWAA has finalized the process required to treat all revenue from the DTR project as "Released Revenues". This excludes DTR revenues from the revenue pledge and lien securing these bonds and the outstanding airport system revenue bonds.

The authority's growth continues to lead to strong operating revenue performance. For the first six months of 2007, operating revenue increased 12.4% due to growth in rental revenue, concessions, and passenger fees. Operating expenses also climbed 12.3% primarily from increases in salaries & benefits and management & administrative support services. Moody's believes MWAA is managing growth well and balancing expenditures with the revenue growth it is realizing. Finances are expected to continue to be vulnerable to the authority's extensive capital plans. Future bonding is expected to pressure MWAA finances, reducing combined debt service coverage to 1.55x and increasing cost per enplanement to \$20.70 at Dulles and \$12.26 at National in 2015. Moody's notes that while it is a separate enterprise financially, the DTR project still offers uncertainty in the coming years that will require substantial oversight from MWAA staff.

#### CAPITAL PROGRAM: CONSTRUCTION ON-SCHEDULE BUT COST ESCALATION REMAINS A CONCERN

The authority's CCP remains essentially the same as it was at the time of our last report, but overall cost has escalated to \$7.1 billion from \$6.98 billion, including the planned construction of the Tier 2 Concourse at Dulles, the timeline of which remains uncertain. Current projects remain on or ahead of schedule. Site work for the fourth runway is complete, paving has begun and commissioning is expected in November 2008. The

automated people mover construction and delivery of the vehicles both remain on schedule for a July 2009 completion. Projects at National include facade repair and preservation as well as additional office space, a new communications building, and a new aircraft rescue and firefighting building. The authority's exposure to capital cost escalations remains a concern, but the authority continues to demonstrate an ability to manage its construction program in line with its revenue expectations.

#### Outlook

The positive rating outlook is based on Moody's expectation that MWAA will continue to grow revenue and maintain solid financial margins supported by enplanement growth at Dulles and execute the CCP without significant cost overruns or project delays.

#### What Could Change the Rating - UP

The rating could improve if traffic growth exceeds projections, and if the Authority continues to conservatively manage its financial operations and the implementation of its large capital program.

#### What Could Change the Rating - DOWN

The rating could be negatively pressured by significant increases in the cost of the capital program that would increase debt issuance or by a substantial drop in enplanements due to the loss or bankruptcy liquidation of additional airlines.

#### KEY INDICATORS:

Type of Airport: O&D

Rate-making methodology: Residual

FY 2006 Enplanements: 20,632,063

5-Year Enplanement CAGR 2001-2006: 6.0%

FY 2006 vs. FY 2005 Enplanement growth: -7.5%

% O&D vs. Connecting, FY 2006 (5 YR AVG): 80% (80%)

Largest Carrier by Enplanements, FY 2006 (share): United (23%)

Airline Cost per Enplaned Passenger, FY 2006: \$10.02 National

\$11.57 Dulles

Debt per Enplaned Passenger, FY 2006 (5 YR AVG): \$152.46 (\$130.31)

Bond Ordinance Debt Service Coverage, FY 2006 (5 YR AVG): 1.78x (1.60x)

Utilization Factor, FY 2006: 3.2

#### RATED DEBT

Airport Revenue Bonds, \$4.438 billion (includes \$260 million of CP), Aa3

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**Credit Profile**

US\$530. mil airport sys rev bonds ser 2007B(AMT) due 10/01/2037

|   |                  |          |
|---|------------------|----------|
| <i>Long Term Rating</i>                     | AA-/Stable       | New      |
| Metropolitan Washington Airport Auth (FGIC) |                  |          |
| <i>Unenhanced Rating</i>                    | AA-(SPUR)/Stable | Affirmed |
| Metropolitan Washington Airport Auth        |                  |          |
| <i>Long Term Rating</i>                     | AA-/Stable       | Affirmed |
| Metropolitan Washington Airport Auth (FSA)  |                  |          |
| <i>Unenhanced Rating</i>                    | AA-(SPUR)/Stable | Affirmed |

**Ratings Detail >>**

**Rationale**

Standard & Poor's assigned its 'AA-' rating to the Metropolitan Washington Airport Authority's (MWAA) \$530 million series 2007B airport system revenue bonds. In addition, the 'AA-' long-term and Standard & Poor's underlying ratings on MWAA were affirmed.

The 'AA-' rating on the airport system revenue bonds reflects MWAA's solid market and service area strengths combined with large capital requirements; weaker dominant airline tenants; and a higher cost structure relative to many U.S. airport systems.

Specific credit strengths include:

- The combined net revenue pledge of two airport enterprises—Ronald Reagan Washington National (National) and Dulles International (Dulles)—each serving different markets (short haul at National versus long haul, with an international emphasis, at Dulles); and
- Strong enplanement trends at both airports indicating recovery from 2001.

In 2004 and 2005, National's enplanements increased 12%; for fiscal 2006, enplanements reached a record high of 9.2 million, an increase of 3.7% over 2005. In 2004, Dulles's enplanements increased 3 million or 35% to reach 11.3 million; and in 2005 enplanements increased an additional 18.3% reaching 13.3 million enplanements. This exceptional growth at Dulles was fueled by competition between United Air Lines Inc. (B/Stable/—) and Independence Air and the overall stimulation of the market from the low fares offered. However, in 2006, Independence Air ceased operations and enplanements at Dulles declined to 11.4 million or 15.5% from 2004's strong levels. It is expected that fiscal 2007, will see a partial rebound in traffic from the recent introduction of service by Southwest at Dulles, expanded service by United and growth in the international market.

In addition, a unique airline use and lease agreement provides extraordinary coverage protection features that essentially allow the airport to become fully residual, ensuring that MWAA's debt service obligations are met. Rates can be adjusted to assure coverage is made by each airport. In addition, MWAA can adjust the rates at either of its airports, as necessary, to fulfill the rate covenant. This unique provision is a strength as poor performance by one airport can be supported by the other airport in its rate-making provisions—allowing significant financial protections for MWAA.

Other strengths include:

- Dulles and National are largely origin and destination airports with a strong market that serves a growing population with high wealth and income and employment levels. In addition, the service area has a large international community, which is an asset for Dulles's international operations.
- An experienced senior management team is in place overseeing financial management and capital development.

Tempering these strengths are the following credit concerns:

- Significant capital requirements—the cost of the 2001-2016 capital improvement plan is estimated at \$7.1 billion for which \$3.2 billion in additional bonds will be issued;
- A relatively high cost structure, with cost per enplanement at \$10.02 for National and \$11.57 at Dulles for 2006—cost per enplanement is projected to peak at \$13.65 for National and \$24.14 at Dulles while debt per enplanement is estimated at \$194 in 2006 and will reach peak at \$229 by 2015 based on current forecasts and assuming \$3.2 billion in additional debt issuances; and

- Domination by weak carriers—United, in particular, at Dulles and US Airways Inc. (B-/Positive/—) at National.

In fiscal 2005, Independence Air accounted for 20% of enplanements at Dulles. However, Independence Air ceased operations in January 2006. As a result, enplanements at Dulles declined 15% for fiscal 2006. The decline in enplanement was partly offset by increased and expanded service by existing carriers. And in October 2006, Southwest Airlines Co. (A/Watch Neg/—) initiated service from Dulles. As a result, fiscal 2007 should see a rebound in enplanements of 6.7%. Beyond 2007, growth in traffic at Dulles will likely resume at levels consistent with historical growth rates of 4.2% per annum and Dulles is expected to surpass 2005's historically high enplanement levels in 2009.

As a result of the challenges MWAA has faced following Sept. 11, 2001, as well as the implementation of the sizeable capital construction program, MWAA's financial performance has not been as strong as it has been historically. Debt service coverage (DSC) in 2002 and 2003 was 1.47x and 1.41x on an indenture basis. Revenues across all categories have since improved but concession revenues, particularly parking, experienced some of the largest increases because of improved passenger activity and the addition of new parking structures at Dulles. Beginning in 2004, the financial performance reflects significantly greater passenger airline activity and continued tight management control over expenses leading to improved financial performance. In 2004, operating revenues increased 13%, while expenses only increased 8%. As a result, DSC on an indenture basis improved to 1.68x, which is more consistent with historical levels of DSC.

Similarly, in fiscal 2005, revenues increased an additional 15%, while expenses increased 13%, because of increased operating expenses due to busing services at Dulles at Terminal G, increased concession management fees, repairs and maintenance of pavements of the airport as well as the implementation of GASB 45, which increased MWAA's other postemployee benefits relating to health care costs. In spite of these increasing costs, DSC in 2005 on an indenture basis was 1.66x, despite a \$20 million increase in debt service. In 2006, the authority's financial results reflected management's ability to control expenses, despite a reduction in passenger and airline activity levels at Dulles resulting from the cessation of service by Independence Air. Operating revenues increased 3% compared to 2005, while expenses remained flat resulting in DSC for 2006 improving to 1.78x on an indenture basis. For the six months ended June 30, 2007, DSC was 1.73x. DSC, while strong historically, is expected to decline to a low of 1.52x in 2011 and 2012 and increase to 1.56x by 2017.

The rating incorporates the MWAA's plan to operate the Dulles Toll Road (DTR), which is not expected to impact the bonds' ratings. On Dec. 29, 2006, the authority signed a master transfer agreement and a permit and operating agreement with the Virginia Department of Transportation (VDOT) pursuant to which, VDOT agreed to transfer to MWAA, the responsibility to operate and maintain the DTR and the rights to the DTR revenues. In exchange, MWAA agreed to oversee the construction and assume the responsibility for the financing with toll revenues of the Virginia's share of the cost of extending the Metrorail from the East Falls Church Station in Fairfax county along the Dulles corridor to Dulles and beyond into Loudoun County and to make improvements to the Dulles corridor consistent with VDOT and regional plans. The authority has executed a design-build

construction contract with Dulles Transit Partners (a joint venture of Bechtel Corp. and Washington Group Inc.). However, MWAA will not issue a notice to proceed to the contractor until it has received Federal Transit Administration approval and the DTR transfer has occurred. The DTR transfer is expected to occur by year end. The rail project would be operated and maintained by the local transit authority, the Washington Metropolitan Area Transit Authority. The term of the agreement is for MWAA to operate the DTR for 50 years.

MWAA plans to operate and maintain the DTR separately from the airport and has established the Dulles Corridor Enterprise Fund, which will account for the activity of the DTR and Metrorail project. MWAA would retain all toll revenue from the DTR to be expended on rail and projects in the Dulles Corridor. Revenues from operation of the airports will not be used to support operation of the DTR or to pay debt service on DTR-related debt or the Metrorail transit project. Similarly, MWAA will have no claim on DTR revenues to support the activities of the airports. To this extent, MWAA has completed the necessary procedures to treat revenues from the operation of DTR as "released revenues" under the airport indenture, thereby excluding the DTR revenues from the revenues pledged under the indenture that secure the bonds. In addition, MWAA is working with the airlines serving the airport to amend each airline agreements to exclude DTR revenues from the definition of revenues.

Bonds proceeds will be used to refund outstanding commercial paper (CP). MWAA has an authorized CP program in an aggregate principal amount not to exceed \$500 million outstanding at any time of which no CP will be outstanding after this issuance. The bonds are secured by net revenues from both airports. After this issuance approximately \$4 billion in parity debt will be outstanding. Additionally, passenger facility charge (PFC) debt, secured by PFC revenues, totals \$400 million. Liquidity levels are adequate at \$527.4 million, including \$297.0 million in the debt service reserves as of June 30, 2007. Audited unrestricted cash and investments for fiscal 2006 totaled \$268 million, representing approximately 426 days' cash on hand or 7% of outstanding debt. Additional liquidity is provided through MWAA's ability to issue up to \$500 million in CP.

Overall, with this issue, MWAA will have about \$792 million in variable-rate debt, assuming a full draw on CP, of which \$217 million has been swapped to fixed-rate debt, yielding a net variable rate percentage of 15%. MWAA has 10 floating- to fixed-rate swaps outstanding and has been assigned a Standard & Poor's overall Debt Derivative Profile of '1' on a scale of '1' to '4', with '1' representing the lowest risk and '4' representing the highest. The overall score of '1' reflects Standard & Poor's view that the issuer swap portfolio reflects minimal credit risk at this time.

## **Outlook**

The stable outlook reflects expectations that MWAA will successfully manage the implementation of their large capital plan without significant cost overruns or additional scope changes while at the same time, achieving or exceeding projected DSC and cost levels. This outlook is also based on an assumed recovery from 2006's decline in enplanements in 2007 and beyond.

**Ratings Detail (As Of 27-Aug-2007)**

|   |                  |          |
|---|------------------|----------|
| <b>Metropolitan Washington Airport Authority (AMBAC)</b>  |                  |          |
| <i>Unenhanced Rating</i>                                  | AA-(SPUR)/Stable | Affirmed |
| <b>Metropolitan Washington Airport Authority (MBIA)</b>   |                  |          |
| <i>Unenhanced Rating</i>                                  | AA-(SPUR)/Stable | Affirmed |
| <b>Metropolitan Washington Airport Authority (XL Cap)</b> |                  |          |
| <i>Unenhanced Rating</i>                                  | AA-(SPUR)/Stable | Affirmed |

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