



MAY 2015
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

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

Action Items

No Action Items to Report

Informational Items

- ***Commercial Paper Program Extension.*** The existing \$300 million Letter of Credit with JP Morgan for the Dulles Toll Road Second Senior Lien Commercial Paper (CP) Program expires on August 11, 2015. Finance Staff is in the process of working with JP Morgan to extend that bank facility for an additional year, resulting in a new expiration date in August 2016. This extension provides the Airports Authority with several benefits. Foremost, the current Letter of Credit with JP Morgan was approved by the USDOT upon the execution of the TIFIA loan agreement, which provides that the facility with JP Morgan may be amended or extended, from time to time, without requiring additional TIFIA approvals as a new facility would. Second, it reduces the Airports Authority's costs, as JP Morgan has agreed to lower the price of the bank facility for the term of the extension. Third, by choosing to extend the facility with the current provider, the Airports Authority avoids the capacity constraints of soliciting for a large volume of bank facilities in the same time frame, considering the \$426 million of bank facilities it will be soliciting this summer for the Aviation Enterprise. Finally, a one- year extension places the Airports Authority in a favorable position to solicit for a new or extended facility in the summer of 2016, a period during which far fewer of its existing facilities will be expiring.

Relevant News Items

- ***Transform 66 Inside and Outside the Beltway.*** On April 28 Northern Virginia's congressional delegation met with Virginia Secretary of Transportation Aubrey Layne

to express concerns regarding the proposed multi-modal improvements to Interstate 66 – including the installation of High Occupancy Toll (HOT) lanes – inside and outside the Capital Beltway. They expressed opposition to the proposed transition from HOV-2 to HOV-3 in 2017 rather than the previously-planned 2020 for the Inside the Beltway project. Regarding the Outside the Beltway project, their concerns focused on the planned configuration’s impacts on neighboring properties and the feasibility of future transit expansion. The newly formed I-66 Corridor Coalition, a group of community, transportation and environmental groups, expressed similar concerns regarding the Outside the Beltway project during the Commonwealth Transportation Board hearing also on April 28 and asked that the Tier I environmental study of potential options be reopened.

- ***I-495 Express Lanes.*** A class action lawsuit was filed in Virginia Federal Court by users of the Express Lanes on April 16. The suit alleges that Transurban and its private operating partners “assessed unfair, illegal, and unconscionable administrative fees and civil penalties on area drivers for allegedly failing to pay HOT Lanes tolls,” according to Hausfeld, the law firm handling the suit. The suit claims that Transurban is routinely failing to notify drivers in a timely fashion that they have violated tolls.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT**SHORT-TERM NOTES AND LOANS**

Commercial Paper Notes. The aggregate principal amount of Dulles Toll Road Second Senior Lien Commercial Paper Notes outstanding as of May 1, 2015, was \$180,000,000. The Airports Authority can draw an additional \$120,000,000 under this program.

Program	Authorized Amount	Letter of Credit Provider	Cost	Dated Date	Expiration Date
<i>Commercial Paper Series One</i>	<i>Up to \$300 Million</i>	<i>JP Morgan</i>	<i>75 bps</i>	<i>August 1, 2011</i>	<i>August 11, 2015</i>

The following table shows the rolling three-month averages of the variable rates for the Commercial Paper Notes and the Securities Industry and Financial Markets Association (SIFMA) Index on a monthly basis for 2015.¹

2015 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
April 2015	0.07%	0.03%	0.04%
March 2015	0.07%	0.02%	0.05%
February 2015	0.08%	0.03%	0.05%
January 2015	0.08%	0.04%	0.04%

Previous Years Variable Interest Rates (12-Month Rolling Average)

Calendar Year	CP 1 JPM	SIFMA	Spread
2014	0.10%	0.05%	0.05%
2013	0.15%	0.09%	0.06%
2012	0.20%	0.16%	0.04%
2011 ²	0.18%	0.15%	0.03%

¹ The SIFMA index is a national rate based on a composite of approximately 250 issuers of high-grade, seven-day, tax-exempt, variable rate demand obligation issues of \$10 million or more.

² 08/11/11 through the end of the calendar year.

FFGA Notes. On December 17, 2012, the Airports Authority issued \$200 million of fixed rate notes secured by the remaining Federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project. The total amount outstanding as of May 1, 2015, is \$156,317,308.

Program	Amount Issued	Rate	Lender	Dated Date	Scheduled Final Maturity
<i>FFGA Notes, Series 2012</i>	<i>\$200 Million</i>	<i>2.16%</i>	<i>Bank of America</i>	<i>December 1, 2012</i>	<i>December 1, 2016</i>

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of May 1, 2015, including accretion, is \$2,092,295,680.³ The tables on the following pages provide detail on each series of bonds.

Refunding Opportunities

The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding will not generate sufficient debt service savings to pursue a transaction due to the significant negative arbitrage in the required refunding escrow.

³ The amount outstanding includes approximately \$208 million of net accreted value on outstanding capital appreciation bonds, convertible capital appreciation bonds and the TIFIA loan. Interest on those securities is not paid currently. It accretes from the date of issuance and is compounded semi-annually on each April 1 and October 1 until the applicable maturity date, conversion date or payment commencement date, whereupon interest will be payable semi-annually.

Table 1: Dulles Toll Road Revenue Bonds
Amount Outstanding by Series and Credit Ratings

Series ⁴	Dated Date	Originally Issued Par Amount	Outstanding as of 4/1/2015	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement ⁵
2009A	8/12/2009	\$ 198,000,000	\$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	A2	A	None
2009B	8/12/2009	207,056,689	272,769,675	Second Senior	Tax-Exempt CABs	Baa1/ A2(Insured)	BBB+/ AA(Insured)	\$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	228,151,978	Second Senior	Tax-Exempt Convertible CABs	A2 (Insured)	AA (Insured)	\$158,234,960 Assured Guaranty
2009D	8/12/2009	400,000,000	400,000,000	Second Senior	Taxable Build America Bonds	Baa1	BBB+	None
2010A	5/27/2010	54,813,219	75,581,639	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	188,878,933	Second Senior	Tax-Exempt Convertible CABs	Baa1	BBB+	None
2010D	5/27/2010	150,000,000	150,000,000	Subordinate	Taxable Build America Bonds	Baa2	BBB	None
2014A	5/14/2014	421,760,000	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	Baa1	BBB+	None
TIFIA Series 2014 ⁶	8/20/2014	156,269,882	157,153,455	Junior	Federal Loan	Baa2	BBB-	None
		<u>\$1,883,936,400</u>	<u>\$ 2,092,295,680</u>					

⁴ Series 2010C was authorized but not issued.

⁵ Bonds insured by Assured Guaranty are rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

⁶ The Airports Authority can issue up to \$1,278,000,000 of TIFIA Series 2014 Bonds (excluding capitalized interest) to finance eligible Phase 2 project costs.

**Table 2: Dulles Toll Road Revenue Bonds
Interest Rates and Call Provisions**

Series	Outstanding as of 4/1/2015	Lien	Tax Status and Structure	Principal Amortization	Yields ⁷	Call Provisions ⁸
2009A	\$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	272,769,675	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	228,151,978	Second Senior	Tax-Exempt Convertible CABs	2038-2041	6.50%	October 1, 2026 at Accreted Value
2009D	400,000,000	Second Senior	Taxable Build America Bonds	2045-2046	7.462% (4.85% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2010A	75,581,639	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	188,878,933	Second Senior	Tax-Exempt Convertible CABs	2040-2044	6.50%	October 1, 2028 at Accreted Value
2010D	150,000,000	Subordinate	Taxable Build America Bonds	2042-2047	8.00% (5.20% net of full subsidy)	Any Business Day at Make-Whole Redemption Price
2014A	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	2051-2053	4.40%	April 1, 2022 at Par
TIFIA Series 2014	157,153,455	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,092,295,680</u>					

⁷ The all-in interest cost for the Series 2009, 2010 and 2014A bond issues is 6.044 percent, 6.154 percent and 4.824 percent, respectively, which results in an overall average cost of capital of 5.843 percent. The potential cost of capital including TIFIA will vary depending on when funds are drawn and the timing of future TIFIA payments and prepayments.

⁸ The Make-Whole Redemption Price is the greater of (i) 100 percent of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.