



REPORT TO THE FINANCE COMMITTEE

Information on Dulles Corridor Enterprise Debt Structure and Credit Ratings

July 2018



Discussion Topics

- Overview of the different types of debt issued for the Metrorail Project
- Description of the multiple lien debt structure and the annual debt service requirements
- Key credit considerations and current credit ratings

Multiple Liens and Different Types of Bonds

Lien	Series	Outstanding as of July 1, 2018 (\$Millions)	Tax Status	Moody's Rating	S&P Rating
First Senior	2009A	\$ 198	Tax-Exempt Current Interest Bonds	A2	A-
	2009B	301	Tax-Exempt Capital Appreciation Bonds (CABs)	Baa1 or A2 (Insured)	BBB+ or AA (Insured)
	2009C	250	Tax-Exempt Convertible CABs	A2 (Insured)	AA (Insured)
Second Senior	2009D	400	Taxable Build America Bonds	Baa1	BBB+
	2010A	93	Tax-Exempt CABs	Baa1	BBB+
	2010B	231	Tax-Exempt Convertible CABs	Baa1	BBB+
	2014A	422	Tax-Exempt Current Interest Bonds	Baa1	BBB+
Subordinate	2010D	150	Taxable Build America Bonds	Baa2	BBB+
Junior	TIFIA Series 2014 *	951	Federal Loan	Baa2	A-
		\$ 2,996			

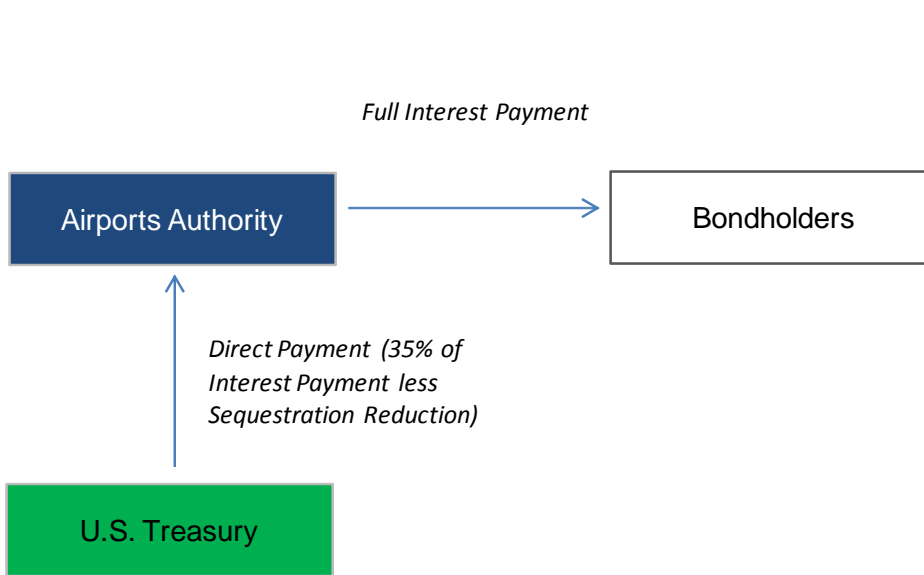
* The Airports Authority can issue up to \$1,278 million of TIFIA Series 2014 Bonds (excluding capitalized interest) to finance eligible Phase 2 project costs.

Types of Bonds: Current Interest and Deferred Interest Bonds

Year	<u>Current Interest Bond</u> <i>5.00% Yield</i>	<u>Capital Appreciation Bond</u> <i>5.50% Yield</i>	<u>Convertible Capital Appreciation Bond</u> <i>5.25% Yield</i>
0	(\$100.00)	(\$100.00)	(\$100.00)
1	5.00	0.00	0.00
2	5.00	0.00	0.00
3	5.00	0.00	0.00
4	5.00	0.00	0.00
5	5.00	0.00	0.00
6	5.00	0.00	6.78
7	5.00	0.00	6.78
8	5.00	0.00	6.78
9	5.00	0.00	6.78
10	5.00	0.00	6.78
11	5.00	0.00	6.78
12	5.00	0.00	6.78
13	5.00	0.00	6.78
14	5.00	0.00	6.78
15	105.00	223.25	135.94
Total Debt Service	\$175.00	\$223.25	\$196.96

examples for discussion purposes only

Types of Bonds: Taxable Build America Bonds

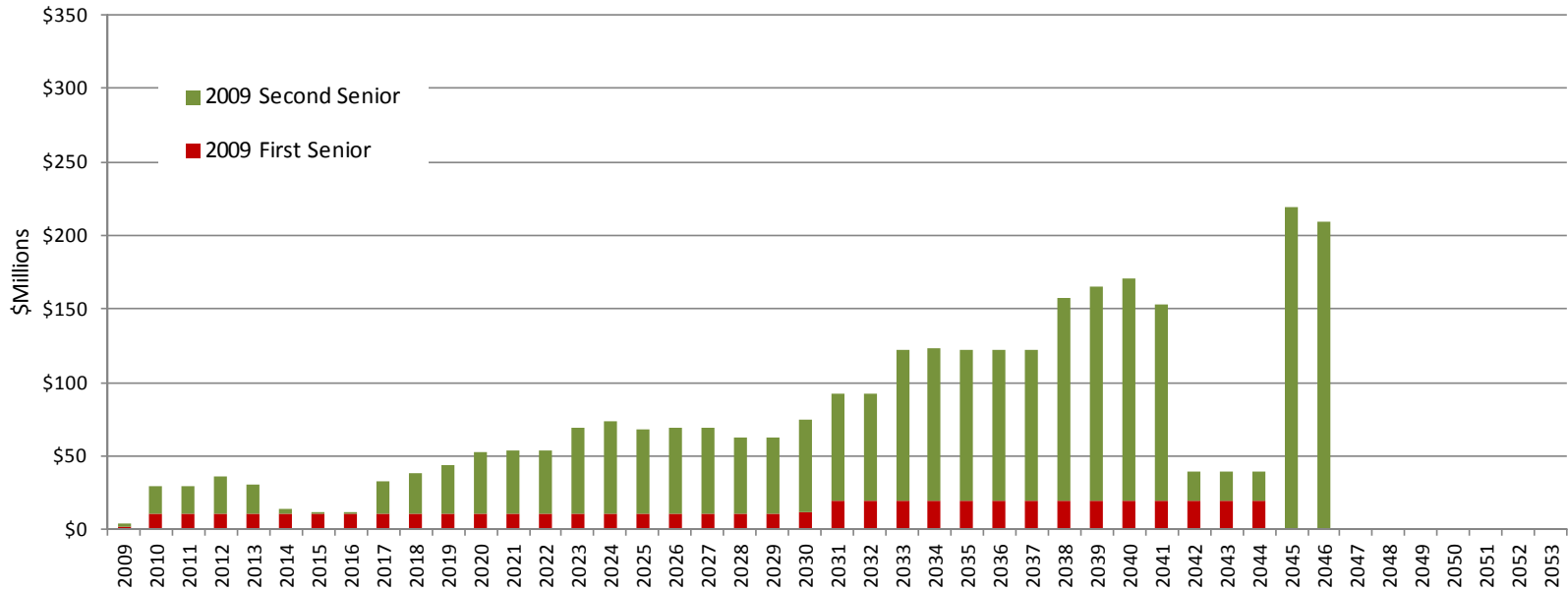


	<u>2018 Annual Interest Payment</u>
Second Senior Lien, Series 2009D	\$ 29,848,000
Subordinate Lien, Series 2010D	\$ 12,000,000
TOTAL INTEREST ON BABs	\$ 41,848,000
Federal Subsidy Rate	35%
Anticipated Federal Subsidy Amount	\$ 14,646,800
Sequestration Rate	-6.60%
Sequestration Reduction	\$ (966,689)
Actual Federal Subsidy Amount	\$ 13,680,111
Subsidy % of Total Debt Service	32.69%

Types of Bonds: TIFIA Loan

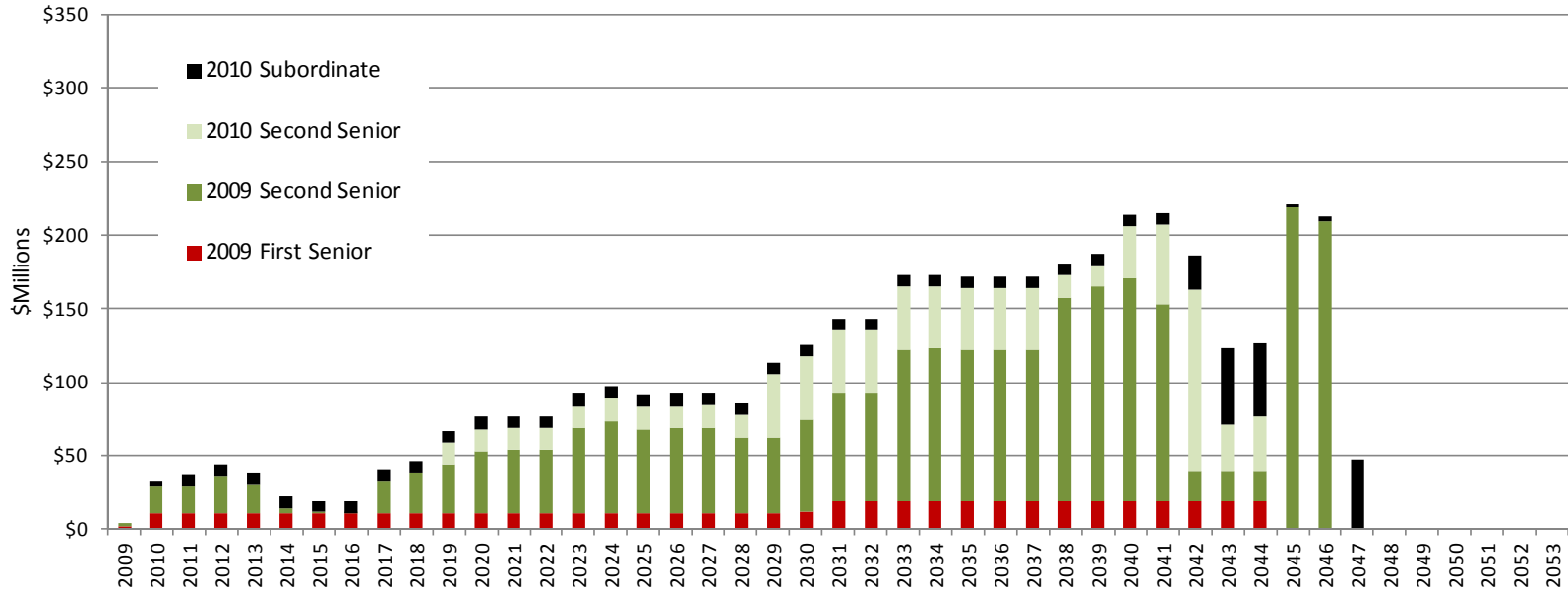
- The TIFIA interest rate is 3.21 percent. Interest does not accrue until loan proceeds are drawn.
- No interest payments required before April 1, 2019. First mandatory principal payment in 2023. The loan is subject to mandatory prepayment from certain reserves after substantial completion of Phase 2.
- A rate covenant of 1.20x and a target debt service coverage of 1.25x.
- A TIFIA debt service reserve equal to 10 percent of the outstanding principal amount of the TIFIA Loan will be funded from net toll revenue before substantial completion of Phase 2.
- TIFIA Loan will spring to parity with the First Senior Lien under a Bankruptcy Related Event, as long as any debt is outstanding on that lien.

DTR Debt Profile after Series 2009



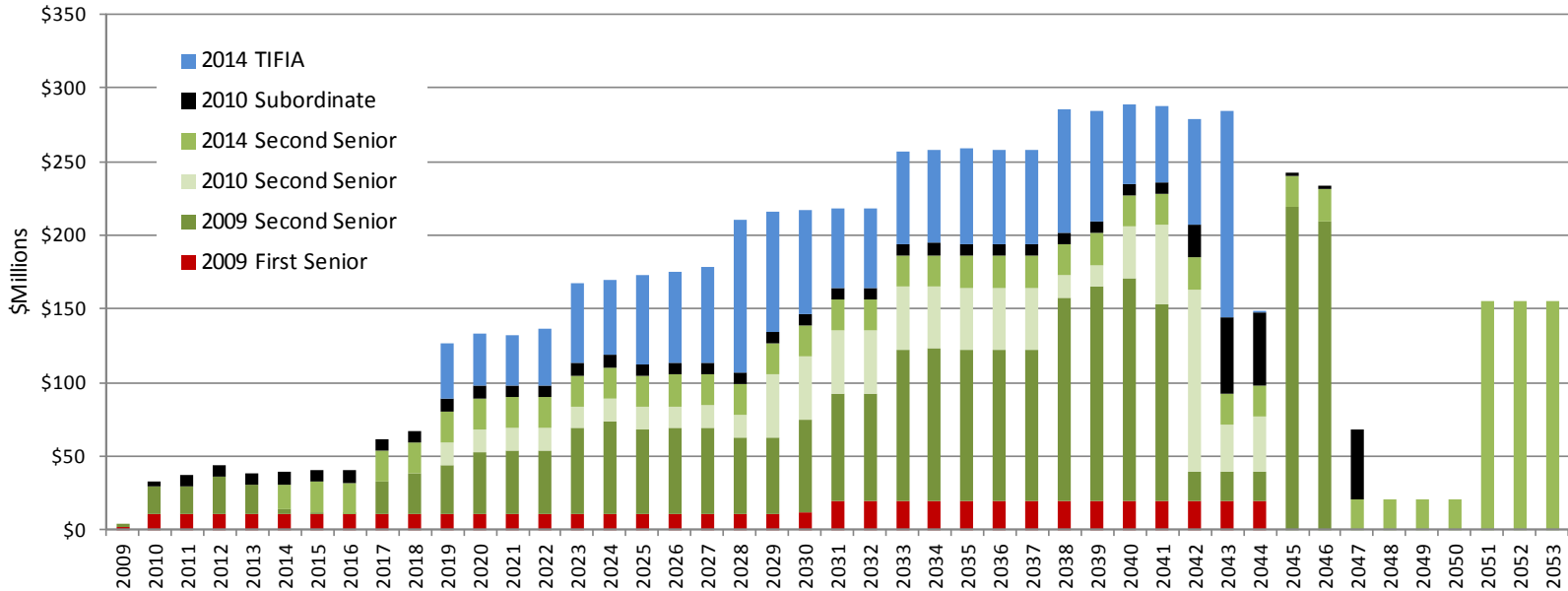
The Series 2009 transaction established market access for first and second senior lien bonds.

DTR Debt Profile after Series 2010



In 2010, the Airports Authority took advantage of the lower borrowing costs available with 35% direct subsidy Build America Bonds to establish the subordinate lien.

DTR Debt Profile after Series 2014 and TIFIA



Debt for Phase 2 was structured to moderate required toll rate
Increases in the future and to provide refinancing flexibility

Moody's Investors Service

March 2018 Credit Opinion Update

“Strong management oversight by a professional management team, which has managed over \$6 billion in capital projects at MWAA, including the completion of Phase 1 of the Metrorail project.”

“MWAA has independent toll-setting ability, and has demonstrated willingness to raise rates, increasing them five times in the recent past to support debt issued for the Metrorail project. Current rates are relatively low for the service area and leave room for future expected rate increases at five-year intervals.”

DTR Lien	Moody's Rating	Amount Outstanding as of July 1, 2018
First Senior	A2	\$198 million
Second Senior	Baa1	\$1.70 billion
Subordinate	Baa2	\$150 million
Junior (TIFIA)	Baa2	\$951 million

Moody's Investors Service

Market Position	Performance Trends	Financial Metrics	Capacity, Capital Plan and Leverage
<i>Asset Type (Single toll facility or multi-asset system)</i>	<i>Annual Traffic /Transactions</i>	<i>Debt Service Coverage Ratio</i>	<i>Asset Condition / Capital Needs</i>
<i>Operating History</i>	<i>Traffic Profile</i>	<i>Debt to Operating Revenue</i>	<i>Growth Limitation /Operational Restrictions</i>
<i>Competition</i>	<i>Five-Year Traffic CAGR</i>		
<i>Service Area Characteristics</i>	<i>Ability & Willingness to Raise Toll Rates</i>		

Notching Considerations: Debt service reserve fund level, open/closed flow of funds, days cash on hand, and other financial, operating and debt factors.

Standard & Poor's

June 2018 Credit Rating Affirmation

“Very strong management and governance, as evidenced by MWAA DTR management's strategic planning and risk management practices, solid record of successful operations and construction program oversight, and overall financial results.”

“We consider DTR's overall market position as strong, reflecting demand for the system and flexible pricing power, which are somewhat offset by the toll road being a single asset and having modest competition.”

DTR Lien	S&P Rating	Amount Outstanding as of July 1, 2018
First Senior	A-	\$198 million
Second Senior	BBB+	\$1.70 billion
Subordinate	BBB+	\$150 million
Junior (TIFIA)	A-	\$951 million

Standard & Poor's

Economic Fundamentals	10%
Industry Risk	20%
Market Position	60%
Management and Governance	10%
ENTERPRISE PROFILE	



Initial Indicative Rating



Financial Performance	20%
Debt and Liabilities	60%
Liquidity and Financial Flexibility	10%
FINANCIAL PROFILE	



Negative Overriding Factors
Positive Overriding Factors
Holistic Analysis
(limited by applicable rating caps)

FINAL ISSUER CREDIT RATING



Legal Structure and Pledge

FINAL ISSUE CREDIT RATING



Questions?



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JULY 2018
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

- ***Credit Ratings Affirmed.*** As required each year under the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, the Airports Authority has obtained written confirmation of the credit ratings on the Dulles Toll Road Revenue Bonds. On June 29, 2018, Standard & Poor's (S&P) Global Ratings affirmed the existing long-term and underlying ratings for each lien. S&P maintains a "Stable" outlook for the DTR credit. The ratings reflect the application of S&P's updated rating criteria for not-for-profit transportation infrastructure enterprises published in March 2018.

DTR Lien	S&P Rating	Amount Outstanding as of July 1, 2018
First Senior	A-	\$198 million
Second Senior	BBB+	\$1.70 billion
Subordinate	BBB+	\$150 million
Junior (TIFIA Lien)	A-	\$951 million

The 'A-' rating on the Junior Lien TIFIA loan reflects the provision in the TIFIA Loan Agreement that enables the TIFIA loan to spring to parity with the First Senior Lien debt upon the occurrence of a bankruptcy related event.

- ***Congestion Mitigation and Air Quality Improvement (CMAQ) Grant.*** The Virginia Department of Rail and Public Transportation (DRPT) and Fairfax County have

secured an \$11 million CMAQ grant to fund eligible costs associated with the Innovation Center Metrorail Station (Innovation Station), such as pedestrian and bicycle improvements, bus bays and bus stop improvements, and park-and-ride facilities which are already planned as part of the project. The Federal share of the grant is 80 percent and DRPT is providing the required 20 percent match for the combined total of \$11 million.

Pursuant to the Local Funding Agreement between the Airports Authority and Fairfax and Loudoun Counties, the funding allocations for each funding partner will be modified to reflect the \$11 million CMAQ grant. The table below shows the total funding commitments before and after the grants for the Innovation Station.

Adjustment to Rail Project Funding Allocations for NVTA and CMAQ Grants ¹

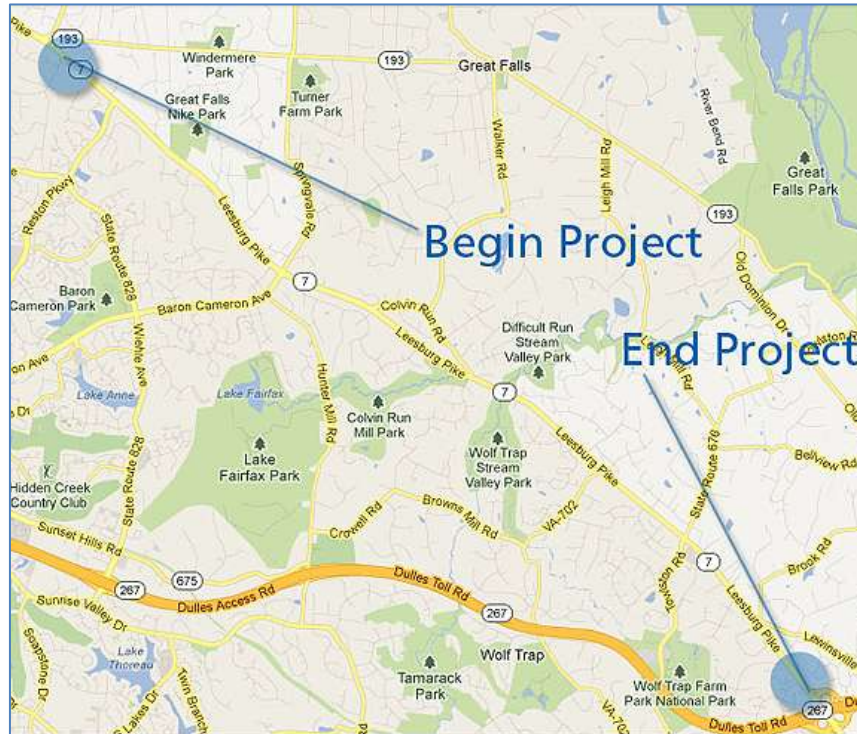
\$ Millions	Funding Allocation Prior to NVTA and CMAQ Grants	Allocation of NVTA and CMAQ Grants		Funding Allocation After NVTA and CMAQ Grants
Federal FFGA	900	-	-	900
Commonwealth of Virginia	575	-	-	575
CMAQ	-	11	100%	11
NVTA	-	60	100%	60
Fairfax County	927	(11.4)	-16.1%	916
Loudoun County	276	(3.4)	-4.8%	273
MWAA (Non-Dulles Toll Road)	236	(2.9)	-4.1%	233
MWAA (Dulles Toll Road)	2,845	(53.3)	-75.0%	2,792
Total Funding Commitments	\$ 5,760			\$ 5,760

Relevant News Items

- **Additional Funding for Route 7 Widening Project.** On June 19, 2018, the Fairfax County Board of Supervisors approved an additional \$40 million to cover higher-than-expected costs for widening 6.9 miles of Route 7 from four to six lanes between Reston Avenue and Jarrett Valley Drive. The Virginia Department of Transportation (VDOT) bid the project in March 2018 and the lowest price proposal received was \$278 million, approximately \$95 million more than anticipated. The high bids are attributed to the competitive market for construction resources in Northern Virginia,

¹ Numbers may not sum to total due to rounding.

the risks associated with the significant number of complex utility relocations, and the need to conduct more than 230 property transactions to obtain necessary right-of-way. It is anticipated that VDOT will also provide up to \$40 million in state funding. The additional state and local funding and negotiated reductions in the scope of the project should allow VDOT to award the contract this year.



Route 7 Corridor Improvements Project
Reston Avenue to Jarrett Valley Drive

- I-495 Express Lanes Northern Extension Study.*** On June 11, 2018, VDOT held a public information meeting in McLean on its plans to extend the I-495 Express Lanes by approximately three miles from the Dulles Toll Road interchange towards the Maryland line, in the vicinity of the American Legion Bridge. The environmental study for the project is expected to be completed in late spring 2019.



- Northern Virginia Transportation Authority (NVTA) Six Year Program.** The NVTA, a political subdivision of the Commonwealth of Virginia, works with local jurisdictions and transportation agencies to plan, prioritize and fund regional transportation projects. On June 14, 2018 the NVTA adopted a FY2018-2023 Six Year Program which includes 44 multimodal transportation projects totaling \$1.285 billion. In its three previous one-year funding programs, the NVTA funded 78 transportation projects valued at more than \$690 million, including \$60 million for the Innovation Center Metrorail Station.

Projects near the Dulles Toll Road that will receive NVTA funding include:

Rock Hill Road Bridge – This new bridge over the Dulles Toll Road will connect Sunrise Valley Drive in Fairfax County to Innovation Avenue in Loudoun County. The project is expected to reduce congestion and delay on parallel roads (Route 28 and Centreville Avenue) and improve accessibility and mobility to and within the area surrounding the Innovation Center Metrorail Station. NVTA programmed \$20.6 million for design, engineering, environmental work and right-of-way acquisition.

Route 28 Northbound Widening - The project scope includes widening northbound Route 28 from three to four lanes between the Dulles Toll Road and Sterling Boulevard. The project is expected to reduce congestion and improve travel time reliability and safety. NVTA programmed \$20.0 million for construction.

- I-66 Eastbound Widening Project.** On June 28, 2018, VDOT held a groundbreaking ceremony for an \$85.7 million project that will add a third travel lane to a four-mile section of eastbound I-66 between the Dulles Connector Road and Fairfax Drive (Exit 71). The project also includes building a new ramp connection between two existing ramps at Route 7 to allow direct access from eastbound I-66 to the West Falls Church Metro Station, as well as building a bridge for the Washington & Old Dominion (W&OD) Trail over Route 29 (Lee Highway). The lane is expected to open to traffic in fall 2020.



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 July 1, 2018, was \$55,000,000. The Airports Authority can draw an additional \$245,000,000 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>58 bps</i>	<i>August 11, 2011</i>	<i>April 13, 2020</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 2018.²

2018 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
June 2018	1.47%	1.47%	0.00%
May 2018	1.38%	1.45%	-0.07%
April 2018	1.15%	1.34%	-0.19%
March 2018	1.07%	1.21%	-0.14%
February 2018	1.03%	1.20%	-0.17%
January 2018	0.99%	1.16%	-0.17%

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

Calendar Year	CP 1 (JPM)	SIFMA	Spread
2017	0.88%	0.84%	0.04%
2016	0.38%	0.41%	-0.03%
2015	0.07%	0.03%	0.04%

² 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.

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of July 1, 2018, including accretion, is \$2,981,450,110.³ Tables 1 and 2 provide detail on each series of bonds.

***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 07/01/2018	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	301,465,631	Second Senior	Tax-Exempt CABs	Baa1/A2(Insured)	BBB+/AA(Insured)	\$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	249,775,000	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	92,864,476	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	231,185,034	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	904,470,312	950,512,299	Junior	Federal Loan	Baa2	A-	None
		\$2,632,136,830	\$ 2,995,562,439					

³ The amount outstanding includes approximately \$363 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.

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 million 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 07/01/2018	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	301,465,631	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	249,775,000	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	92,864,476	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	231,185,034	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	950,512,299	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,995,562,439</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.