



REPORT TO THE FINANCE COMMITTEE

**Information Report on the State and Federal
Funding and Financing Assistance
Secured for the Dulles Corridor Metrorail Project**

December 2018



Discussion Topics

- Overview of state and federal funding and financing assistance for the Dulles Corridor Metrorail Project
- Description of key features of the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan

Rail Project Costs are Allocated in Accordance with Funding Agreements

SOURCES OF CAPITAL FUNDS \$ Millions	PHASE 1	PHASE 2 ⁽¹⁾	RAIL PROJECT BUDGET prior to NVTA and CMAQ		RAIL PROJECT BUDGET after NVTA and CMAQ	
			Total	% of Total	Change	Total
Federal	\$ 900	\$ -	\$ 900	15.6%		\$ 900
Commonwealth of Virginia - Federal Funds ⁽²⁾	75	-	75	1.3%	11.0	86
Commonwealth of Virginia - State Funds ⁽³⁾	177	323	500	8.7%		500
Northern Virginia Transportation Authority ⁽⁴⁾		-	-	0.0%	60.0	60
Fairfax County	400	527	927	16.1%	(11.4)	916
Loudoun County		276	276	4.8%	(3.4)	273
MWAA (Aviation Funds)		236	236	4.1%	(2.9)	233
MWAA (Dulles Toll Road)	1,430	1,415	2,845	49.4%	(53.3)	2,792
TOTAL SOURCES OF FUNDS	\$ 2,982	\$ 2,778	\$ 5,760	100.0%	\$ -	\$ 5,760

Fixed Amount
Fixed Percentage of total cost
Residual

- (1) Phase 2 Parking Garages are funded directly by the Counties and are not included in the Total Rail Project Budget.
- (2) Includes \$75 million Section 5307 Surface Transportation Program grant as well as the federal and state share of the \$11 million Congestion Mitigation and Air Quality Improvement (CMAQ) grant. CMAQ funds can only be used to pay or reimburse eligible costs associated with the Innovation Center Metrorail Station.
- (3) Does not include \$150 million from the Commonwealth that is being used to pay interest on Dulles Toll Road revenue bonds.
- (4) Grant from Northern Virginia Transportation Authority (NVTA) can only be used to pay or reimburse capital costs for Innovation Center Metrorail Station.

Funding Commitments are Sufficient to Complete the Metrorail Project

Source of Funds (\$Millions)	Amount Committed	Amount Received as of December 1, 2018	Remaining Commitment	Notes
Federal - FTA Full Funding Grant Agreement	\$ 900	900	-	(1)
Commonwealth – Federal Funds	86	82	4	
Commonwealth – State Funds	500	500	-	
Northern Virginia Transportation Authority	60	60	-	(2)
Fairfax County	916	768	148	
Loudoun County	273	195	78	
Airports Authority - Aviation Funds	233	110	123	
Airports Authority - Dulles Toll Road	2,792	2,549	243	
TOTAL SOURCES	\$ 5,760	5,165	595	(3)

(1) Congress has appropriated, and FTA has awarded, \$900 million in Section 5309 New Starts funds for the project. Approximately \$880 million was expended as of October 31, 2018.

(2) The \$60 million NVTA grant was used to pay or reimburse capital costs for Innovation Center Metrorail Station.

(3) The total sources of committed funding does not include (a) Fairfax County and Loudoun County funding of approximately \$348 million for the Dulles Corridor Metrorail Project – Phase 2 garages, which are outside the TIFIA Project budget, and (b) \$150 million of Commonwealth funds used to pay interest on revenue bonds.

Commonwealth Funding and Debt Service Payment Assistance

State Funding for Phase 1 Capital Costs	State Funding for Phase 2 Capital Costs	Federal-Aid programmed by VDOT and/or VDRPT	Debt Service Payment Assistance
<p>\$52 million for design and preliminary engineering (Virginia Transportation Act of 2000)</p>	<p>\$23 million for design and preliminary engineering (Virginia Transportation Act of 2000)</p>	<p>\$75 million Section 5307 Surface Transportation Program grant</p>	<p>\$150 million (\$100 million from VDOT and \$50 million from Virginia Department of Rail and Public Transportation budget).*</p>
<p>\$125 million (Commonwealth Transportation Board bond proceeds)</p>	<p>\$300 million (H.B. 2313, Virginia's Road to the Future)</p>	<p>\$11 million Congestion Mitigation and Air Quality Improvement (CMAQ) grant to fund eligible costs associated with the Innovation Center Metrorail Station</p>	

* Drawn in annual amounts ranging between \$10 million and \$30 million between 2013 and 2019.



Federal Funding and Credit Assistance

Federal Funding for Phase 1 Capital Costs

\$900 million Federal Transit Administration (FTA) Federal Grants (Section 5309 New Starts Program)

Federal Credit Assistance for Phase 2

\$1.278 billion TIFIA Loan secured by DTR revenue (closed on August 20, 2014)

\$403 million TIFIA Loan secured by Fairfax County appropriations (closed on December 9, 2014)

\$195 million TIFIA Loan secured by Loudoun County appropriations (closed on December 9, 2014)

Purpose and Benefits of the TIFIA Program

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a Federal credit program under the U.S. Department of Transportation for eligible surface transportation projects. Program objectives include:

- Leverage limited Federal resources and stimulate capital market investment;
- Facilitate projects with significant public benefits;
- Encourage new revenue streams and private participation;
- Fill capital market gaps for secondary/subordinate capital;
- Be a flexible, “patient” investor willing to take on investor concerns about investment horizon, liquidity, predictability, and risk; and
- Limit Federal exposure by relying on market discipline.

KEY BENEFITS

Long term, fixed cost,
permanent financing

Non-recourse financing;
supported by project cash

Borrower/revenue source may
be low investment grade

Funds drawn as needed

Senior or subordinate lien

Flexible amortization

No prepayment penalty

Low interest rates



Key Program Requirements

- The project sponsor may be invited to submit an application after a full review of the statutory eligibility and creditworthiness of the project and receipt of all requested materials, including a preliminary rating opinion letter, and upfront payment of advisor fees.
- The anticipated project cost must be at least \$50 million (\$10 million for Transit-Oriented Development, Local, and Rural Projects) and the project must be included in the State's transportation planning and programming cycle.
- Credit assistance typically is limited to 33 percent of reasonably anticipated eligible project costs.

Key Program Requirements, continued

- The maximum maturity of all TIFIA loans is the lesser of: (i) 35 years after a project's substantial completion or (ii) the useful life of the project being financed.
- TIFIA loan repayment must start within 5 years after substantial completion.
- The project's senior debt must receive at least two investment grade ratings (BBB-/Baa3) from nationally recognized credit rating agencies (only one rating required for projects under \$75 million).
- The project sponsor must meet all applicable Federal requirements, including, but not limited to, Civil Rights, NEPA, Uniform Relocation, Buy America, and Davis-Bacon.

Largest Active TIFIA Loan Commitments

Since program inception in 1999, USDOT has approved 80 TIFIA loans in 22 states (and the District of Columbia and Puerto Rico) totaling over \$30 billion.

Project Name	State	Project Cost (\$Millions)	TIFIA Assistance (\$Millions)	Primary Revenue Pledge	Fiscal Year Closed
Dulles Corridor Metrorail Project	VA	\$5,684	\$1,876	Toll Revenue; Local appropriations	2014
New York (Tappan Zee) Bridge Replacement	NY	\$4,979	\$1,600	Toll Revenue	2014
East Link Extension	WA	\$4,031	\$1,330	Tax Revenue	2015
Transform 66 - Outside the Beltway	VA	\$3,724	\$1,229	Toll Revenue	2018
I-4 Ultimate Project	FL	\$2,877	\$949	Availability Payments	2014
Purple Line Project	MD	\$2,650	\$875	Availability Payments	2016
Westside Purple Line Extension	CA	\$2,648	\$856	Sales Tax Revenue	2014
IH-635 Managed Lanes	TX	\$2,615	\$850	Toll Revenue	2010
Grand Parkway Segments D-G	TX	\$2,913	\$841	Toll Revenue	2014
North Tarrant Express (Segments 1 and 2A)	TX	\$2,047	\$650	Toll Revenue	2010

Source: www.transportation.gov/tifia/projects-financed

Other projects in the Washington metropolitan area that have received TIFIA loans include the Capital Beltway HOT Lanes (\$589 million) and the Maryland Intercountry Connector (\$516 million).

DTR TIFIA Loan

- The TIFIA interest rate is 3.21 percent. Interest does not accrue until loan proceeds are drawn.
- No interest payments are required before April 1, 2019; the first mandatory principal payment is in 2023; and the final loan payment is scheduled for 2044.
- The TIFIA 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 have been established for the DTR TIFIA Loan.
- A TIFIA debt service reserve equal to 10% of the outstanding principal amount of the TIFIA Loan will be funded from net toll revenue before substantial completion of Phase 2.

Outstanding Dulles Toll Road Revenue Bonds

Lien	Series	Outstanding as of December 1, 2018 (\$Millions)	Tax Status	Moody's Rating	S&P Rating
First Senior	2009A	\$ 198	Tax-Exempt Current Interest Bonds	A2	A-
	2009B	311	Tax-Exempt Capital Appreciation Bonds (CABs)	Baa1 or A2 (Insured)	BBB+ or AA (Insured)
Second Senior	2009C	250	Tax-Exempt Convertible CABs	A2 (Insured)	AA (Insured)
	2009D	400	Taxable Build America Bonds	A2 (Insured)	AA (Insured)
	2010A	95	Tax-Exempt CABs	Baa1	BBB+
	2010B	235	Tax-Exempt Convertible CABs	Baa1	BBB+
	2014A	150	Tax-Exempt Current Interest Bonds	Baa1	BBB+
Subordinate	2010D	422	Taxable Build America Bonds	Baa2	BBB+
Junior	TIFIA Series 2014	1,043	Federal Loan	Baa2	A-
		\$3,104			



Questions?



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DECEMBER 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

- ***Commonwealth Transportation Board (CTB) Project Prioritization Process.*** The CTB, a 17-member board appointed by the Governor of Virginia, is soliciting public comment on a list of proposed local and regional transportation projects submitted for scoring under the SMART SCALE (System for the Management and Allocation of Resources for Transportation) project prioritization process. Comments can be submitted at public meetings held in each of the nine state transportation districts or submitted online through December 13, 2018.

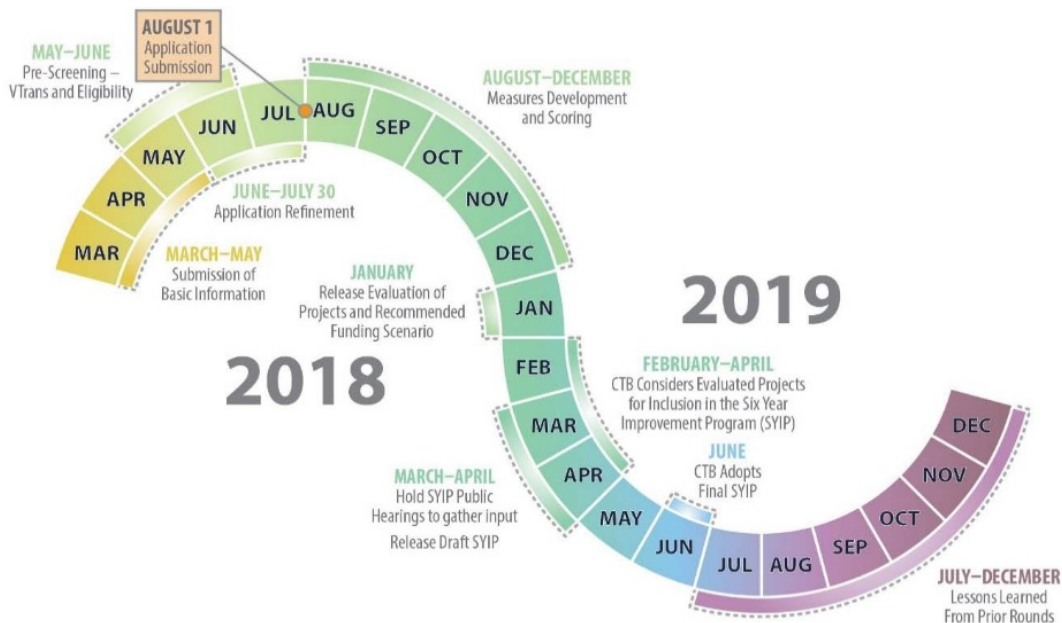
The CTB received 468 applications from localities and planning organizations requesting approximately \$7 billion of funding in the CTB's Six Year Improvement Program for FY2020 to FY2025. Approximately \$850 million of transportation funding is estimated to be available for SMART SCALE projects during that period. The proposed projects will be evaluated based on the following factors: safety, congestion mitigation, accessibility, environmental quality, economic development, and land use.

Fairfax County submitted 10 projects that have a total estimated cost of \$1.5 billion. The Fairfax County list includes two projects that involve the construction of new bridges over the Dulles Toll Road and the Silver Line. The \$170 million Soapstone Drive Extension would connect Sunrise Valley Drive and Sunset Hills Road west of the Wiehle-Reston East Metrorail Station. The \$100 million Rock Hill Road Bridge/Davis Drive Extension would connect Sunrise Valley Drive in Fairfax County to

Innovation Avenue in Loudoun County. The 10 projects submitted by Loudoun County have a total estimated cost of \$241 million. Loudoun County also sent a formal letter of support to the CTB for the Rock Hill Road Bridge project.

SMART SCALE scoring results will be made available to the public in January 2019. The CTB will make final decisions in June 2019 following another public comment period. The next opportunity to submit Smart Scale applications to the CTB will be in 2021.

SMART SCALE Program Biennial Schedule



Relevant News Items


- Elizabeth River Tunnels Toll Increase.*** On November 8, 2018, Elizabeth River Crossings LLC (ERC), the private consortium that operates the Midtown and Downtown Tunnels between the cities of Norfolk and Portsmouth, Virginia, announced that toll rates will increase on January 1, 2019. The E-ZPass rates for passenger vehicles (two axles, including motorcycles) will increase from \$1.73 to \$1.79 during off-peak hours and from \$2.09 to \$2.20 during peak hours. The peak period is 5:30 a.m. to 9:00 a.m. and 2:30 p.m. to 7:00 p.m. Monday through Friday. Off-peak rates apply on weekends and holidays.

Tolls cannot be paid with cash. Customers without an active E-ZPass account are sent a Pay by Plate invoice for the applicable toll rate plus a fixed transaction processing fee. The processing fee for registered and pre-paid users will increase by six cents to \$1.78 on January 1, 2019. The processing fee for unregistered users of the Midtown and Downtown Tunnels will increase 12 cents to \$3.56.

The 2019 toll increase is in accordance with the agreement between ERC and the Virginia Department of Transportation (VDOT) which permits annual off-peak toll rate increases equal to the greater of changes to the Consumer Price Index or 3.50 percent. Peak-hour toll rates can be increased an additional 2.00 percent each year. Processing fees are capped at two-times the off-peak toll rate.

Qualified low-income residents of Norfolk and Portsmouth who enroll in a toll relief program established in 2016 are eligible for partial rebates each month if they make at least eight trips.

2019 Toll Rates for the Elizabeth River Tunnels*

Passenger Vehicles 2-axles, includes motorcycles 			
MONDAY – FRIDAY	<i>EZPass</i>	REGISTERED Pay by Plate	UNREGISTERED Pay by Plate
12:00am to 5:30am	\$1.79	\$3.57	\$5.35
5:30am to 9:00am (PEAK)	\$2.20	\$3.98	\$5.76
9:00am to 2:30pm	\$1.79	\$3.57	\$5.35
2:30pm to 7:00pm (PEAK)	\$2.20	\$3.98	\$5.76
7:00pm to 12:00am	\$1.79	\$3.57	\$5.35

* Registered/Pre-paid Pay by Plate rates include a \$1.78 processing fee and the Unregistered/Post-paid Pay by Plate rates include a \$3.56 processing fee.

- Traffic Analysis for 395 Express Lanes Interchange at Seminary Road.** On November 8, 2018, the City of Alexandria (City) announced that it would work with the VDOT and Transurban, the private operator of the 95 and 495 Express Lanes, on an analysis of the potential traffic impacts if the south-facing ramp at Seminary Road is opened to express lane/high-occupancy toll (HOT) traffic. The ramp is currently restricted to transit and high-occupancy vehicles (HOV) traveling north in the morning and south in the evening,

The City Council is opposed to operational changes that would allow HOT access to and from the ramp, but it directed City of Alexandria Transportation and Environmental Services staff to coordinate with VDOT and Transurban and to provide input on the scope of the study area and specific study intersections. The analysis is expected to take six to nine months to complete.

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 December 1, 2018, was \$70,000,000. The Airports Authority can draw an additional \$230,000,000 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 2018.¹

2018 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
November 2018	1.71%	1.57%	0.14%
October 2018	1.64%	1.52%	0.12%
September 2018	1.48%	1.35%	0.13%
August 2018	1.43%	1.28%	0.15%
July 2018	1.46%	1.25%	0.21%
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%

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.

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of December 1, 2018, including accretion, is \$3,104,012,448.² 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 ³	Dated Date	Originally Issued Par Amount	Outstanding as of 12/01/2018	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement ⁴
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	311,064,659	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	95,469,441	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	235,000,000	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 ⁵	8/20/2014	981,583,254	1,042,943,348	Junior	Federal Loan	Baa2	A-	None
		\$2,709,249,772	\$ 3,104,012,448					

² The amount outstanding includes approximately \$395 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.

³ Series 2010C was authorized but not issued.

⁴ Bonds insured by Assured Guaranty are rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

⁵ 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 12/01/2018	Lien	Tax Status and Structure	Principal Amortization	Yields ⁶	Call Provisions ⁷
2009A	\$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	311,064,659	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	95,469,441	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	235,000,000	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	1,042,943,348	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 3,104,012,448</u>					

⁶ 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.

⁷ 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.