MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

NOVEMBER 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.

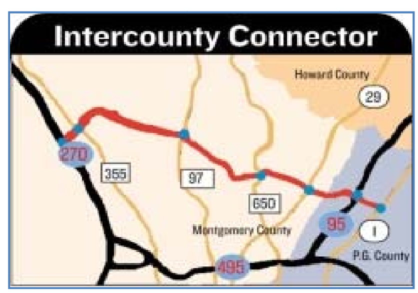
Action Items

No Action Items to Report

Relevant News Items

- ***Maryland Intercounty Connector.*** On October 14, 2015, the Finance Committee of the Maryland Transportation Authority (MDTA) received an audit report for the fiscal year that ended June 30, 2015 that includes operating statistics for the Intercounty Connector (ICC) toll facility. In 2015, there were approximately 24 million trips on the ICC, an increase of more than 3.6 million (17.79 percent) from the prior year. Toll revenue generated by the ICC in 2015 increased by $7.98 million (16.63 percent) to $56 million.

  Tolls on the ICC vary depending on the time of day. Effective July 1, 2015, the toll rates for two-axle vehicles using the ICC were reduced by $0.03 per mile in every time period (peak, off-peak and overnight). In addition, the MDTA reduced the toll rate for three-axle vehicles from three times the passenger car rate to two times and the toll rate for 4-axle vehicles is now three times the passenger car rate versus 4.5 times.

  The total estimated cost of the toll rate modifications is approximately $6.6 million. Total toll revenue generated by the ICC in fiscal year 2016 is now expected to be comparable to the amount generated in fiscal year 2015.

- ***Transform Interstate 66 (I-66) Outside the Beltway.*** The proposed multimodal improvements to I-66 from Interstate 495 (Capital Beltway) to U.S. Route 15 in Haymarket received several key endorsements and approvals last month:

- On October 20, the Fairfax County Board of Supervisors unanimously endorsed the proposed design concept contingent on the continued progress of the Virginia Department of Transportation (VDOT) towards addressing various issues and concerns identified by the County.

- On October 21, the project was adopted into the National Capital Region Transportation Planning Board's Financially Constrained Long Range Plan.

- On October 27, the Commonwealth Transportation Board (CTB) approved the location and the recommended design concept for the project.

VDOT has short-listed several private sector teams that submitted statements of their qualifications to design, build, finance, operate, and/or maintain the proposed improvements. It is anticipated that a final decision on the type of public-private partnership that will be implemented for the I-66 Outside the Beltway project will be made in mid-December 2015.

- ***Transform I-66 Inside the Beltway.*** The proposed conversion of high-occupancy vehicle (HOV) lanes on I-66 inside the Beltway to high occupancy/toll lanes was adopted into the National Capital Region Transportation Planning Board's Financially Constrained Long Range Plan (CLRP) on October 21, 2015. The resolution stated that the Commonwealth of Virginia will only implement the tolling project if the CTB adopts a policy that ensures toll revenues are used to support multimodal improvements that benefit the users of the corridor. In addition, an evaluation of the effectiveness of the tolling project, including the traffic performance on parallel roadways, is to be conducted no sooner than two years after conversion to HOV-3.[1]

  In a radio interview on October 28, Virginia Governor Terry McAuliffe stated that VDOT will likely modify the tolling plan for I-66 Inside the Beltway to eliminate tolls on "reverse commuters" (solo drivers who travel outbound on I-66 in the peak morning hours and inbound during the evening commute).

  The next step in the project approval process for the I-66 Inside the Beltway project is a Design Public Hearing, currently scheduled for January 2016.

[1] The initial plan was to convert the HOV lanes on I-66 inside the Beltway from the HOV-2 standard (two or more people must occupy the vehicle) to HOV-3 (minimum of three people) in 2017 when the I-66 tolls were scheduled to be imposed. In September 2015, VDOT announced the conversion would be delayed until 2020 when all HOV lanes in Northern Virginia are assumed in the CLRP to be HOV-3.

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 November 1, 2015, was $185 million. The Airports Authority can draw an additional $115 million under this program.

Program	Authorized Amount	Letter of Credit Provider	Cost	Dated Date	Expiration Date
Commercial Paper Series One	***Up to $300 Million***	***JP Morgan***	***65 bps***	***August 11, 2011***	***August 11, 2016***

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.[2]

2015 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
October 2015	0.08%	0.02%	0.06%
September 2015	0.08%	0.03%	0.05%
August 2015	0.09%	0.04%	0.05%
July 2015	0.09%	0.07%	0.02%
June 2015	0.08%	0.08%	0.00%
May 2015	0.07%	0.06%	0.01%
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%

[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.

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 November 1, 2015, is $156,317,308.

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

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of November 1, 2015, including accretion, is $2,191,287,566.[3] The tables on the following pages provide detail on each series of bonds.

Refunding Opportunities

The Series 2009A First Senior Lien 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 $236 million of net accreted value on outstanding capital appreciation bonds, convertible capital appreciation bonds and the Transportation Infrastructure Finance and Innovation Act (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 11/1/2015	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	281,758,663	Second Senior	Tax-Exempt CABs	Baa1/ A2(Insured)	BBB+/ AA(Insured)	$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	235,525,336	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	78,071,534	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	194,984,427	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	227,319,103	231,187,605	Junior	Federal Loan	Baa2	BBB-	None
		$ 1,954,985,621	$ 2,191,287,566					

[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 11/1/2015	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	281,758,663	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	235,525,336	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	78,071,534	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	194,984,427	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	231,187,605	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 2,191,287,566					

[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.