



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.

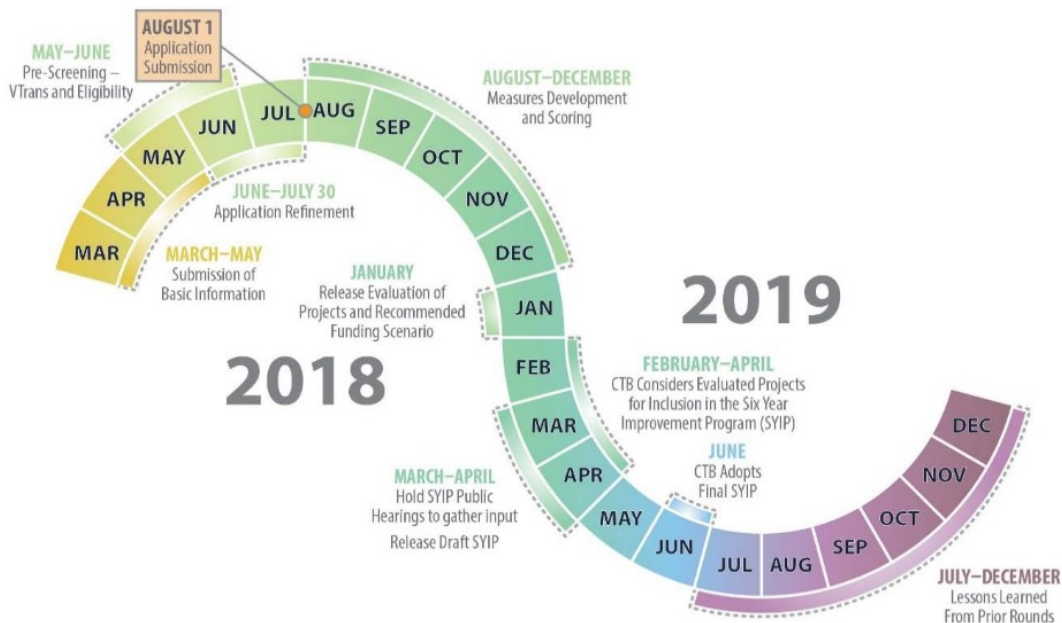
The CTB received 468 applications from localities and planning organizations requesting approximately \$7 billion of funding in the CTB's Six Year Improvement Program for FY2020 to FY2025. Approximately \$850 million of transportation funding is estimated to be available for SMART SCALE projects during 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.