



FEBRUARY 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

- ***Dulles Toll Road Traffic and Revenue Study.*** The traffic and revenue consultant, CDM Smith, is reviewing and incorporating data generated by its subconsultants, including the demographic inputs for individual traffic analysis zones and the coding for anticipated improvements to the regional highway and transit networks. The study remains on schedule.

Relevant News Items

- ***Dulles Greenway Operating Results and Requested Toll Increase.*** On January 23, 2018, Macquarie Atlas Roads (MQA), the owner of the private toll concession for the Dulles Greenway, released toll revenue and traffic statistics for the quarter ending December 31, 2017.

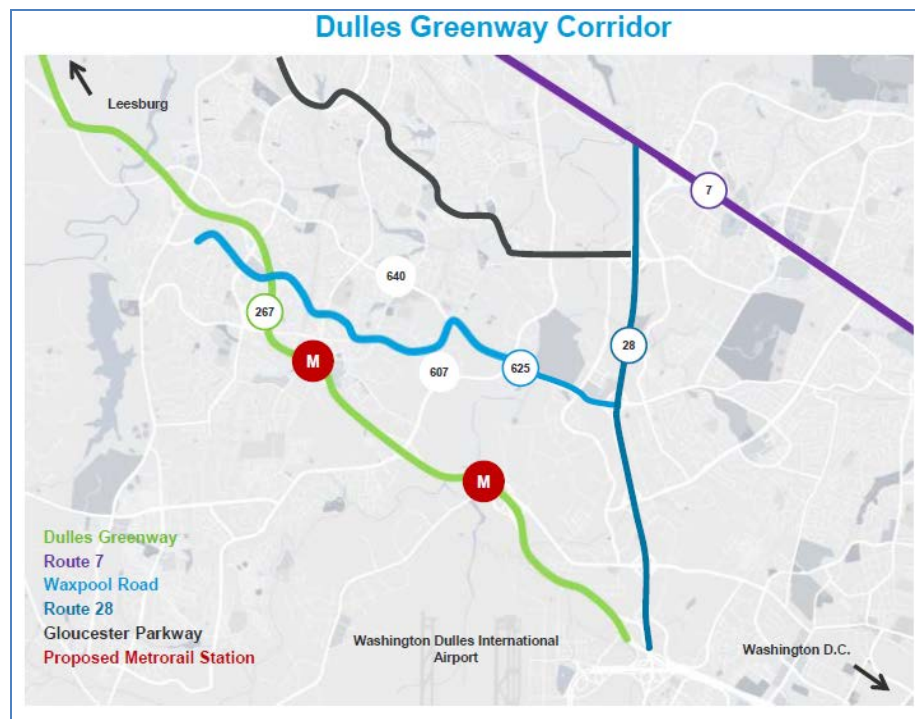
Average daily toll revenue for the quarter was \$245,403, approximately 1.7 percent less than the same period last year. Average daily traffic decreased by approximately 4.3 percent to 50,835 transactions. MQA cites the widening of Route 28, the removal of traffic signals on Route 7 and Metrorail construction activity as factors that impacted traffic.

A request to increase toll rates on the Dulles Greenway toll facility was filed with the Virginia State Corporation Commission (SCC) on January 3, 2018. If approved, the toll rate for two-axle vehicles will increase by 10 cents, from \$4.55 to \$4.65, and the Congestion Management Toll (applicable only to weekday traffic in the peak period

and direction) will increase by 15 cents, from \$5.50 to \$5.65. Those toll rates do not include the ramp toll (currently \$1.00 for a two-axle vehicle) collected by the Dulles Greenway owners on behalf of the Airports Authority for access to the Dulles Toll Road.

Pursuant to § 56-542 of the Code of Virginia, the SCC shall approve any request to increase tolls by a percentage that is equal to the greater of the increase in the consumer price index plus 1 percent (calculated to be 3.17 percent), Real Gross Domestic Product growth (approximately 2.1 percent), or 2.80 percent.

Public comments on the proposed toll increase were accepted through February 7, 2018. The toll increase will become effective upon issuance of a final order by the SCC.



- I-95 Express Lanes Fredericksburg Extension.*** On January 10, 2018, outgoing Governor Terry McAuliffe announced that an agreement has been reached with Transurban, the private operator of the 495 Express Lanes and the 95 Express Lanes, to extend the 95 Express Lanes south to Fredericksburg. Transurban will also provide \$277 million of private funding for additional upgrades to the I-95 corridor, including construction of the Northbound Rappahannock River Crossing project. In exchange, the toll revenue sharing provisions in the existing 95 Express Lanes concession agreement will be amended to allow Transurban to keep potential toll revenue generated over the remaining 70 years of the concession that would otherwise have been distributed to the Virginia Department of Transportation (VDOT).

The \$565 million Fredericksburg Extension (Fred Ex) project includes construction of ten miles of two-lane reversible Express Lanes, seven new bridge structures and new access points to the Express Lanes, including flyover ramps near Marine Corps Base Quantico and at the Route 17 terminus. Financial close is scheduled for the first half of 2019. Transurban will pay the additional funding to VDOT in two installments: \$45 million at financial close for Fred Ex and \$232 million when the extended express lanes open in late 2022.

- ***Transportation Planning Board Air Quality Conformity Analysis.*** On January 17, 2018, the National Capital Region Transportation Planning Board (TPB) approved changes and new additions to the list of transportation projects to be studied in the air quality conformity analysis required for the region's long-range transportation plan, Visualize 2045, and the FY 2019-2024 Transportation Improvement Program.

Relevant projects that will be studied include:

Virginia I-495 High-Occupancy Toll (HOT) Lanes Northern Extension - VDOT proposes to extend two HOT lanes in each direction from Old Dominion Drive to the American Legion Bridge by 2025. The estimated cost of construction is \$500 million.

Maryland I-495 Toll Lanes - The I-495 component of the Traffic Relief Plan proposed by the Maryland Department of Transportation (MDOT) will add two new managed toll lanes in each direction along 22 miles of the Capital Beltway from the American Legion Bridge to the Woodrow Wilson Bridge. The estimated cost of construction is \$4.3 billion. For air quality conformity modeling purposes, the completion date is presumed to be 2025, but the actual completion year will depend on the provisions in the planned public-private partnership (P3) agreement for the project.

Maryland I-270 Toll Lanes - The I-270 component of MDOT's proposed Traffic Relief Plan will add two new managed toll lanes in each direction along 34 miles of I-270 between the Capital Beltway (I-495) and I-70 / US 40. The estimated cost of construction is \$4 billion. For air quality conformity modeling purposes, the completion date is presumed to be 2025, but the actual completion year will depend on the provisions in the planned P3 agreement for the project.

The air quality conformity analysis is expected to be completed by August 2018. In October 2018, the TPB will review the results of the analysis and determine which transportation projects to include in Visualize 2045.

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 February 1, 2018, was \$125,000,000. The Airports Authority can draw an additional \$175,000,000 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>69 bps</i>	<i>August 11, 2011</i>	<i>August 10, 2018</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
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%

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 February 1, 2018, including accretion, is \$2,888,564,844.² 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 02/01/2018	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	298,270,636	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	90,422,371	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	225,214,820	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	822,241,985	855,122,016	Junior	Federal Loan	Baa2	A-	None
		\$2,549,908,503	\$ 2,888,564,844					

² The amount outstanding includes approximately \$339 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 02/01/2018	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	298,270,636	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	90,422,371	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	225,214,820	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	855,122,016	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,888,564,844</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.