MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

FEBRUARY 2019
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Metropolitan Washington Airports Authority (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

- ***2019 Underwriting Syndicate.*** The Technical Evaluation Committee (TEC) invited 15 firms in the Underwriting Pool to be interviewed for inclusion and designation of roles in the planned 2019 debt transactions. The TEC recommendations for the Aviation and Dulles Corridor Enterprises' underwriting syndicates are provided under a separate agenda item.

Relevant News Items

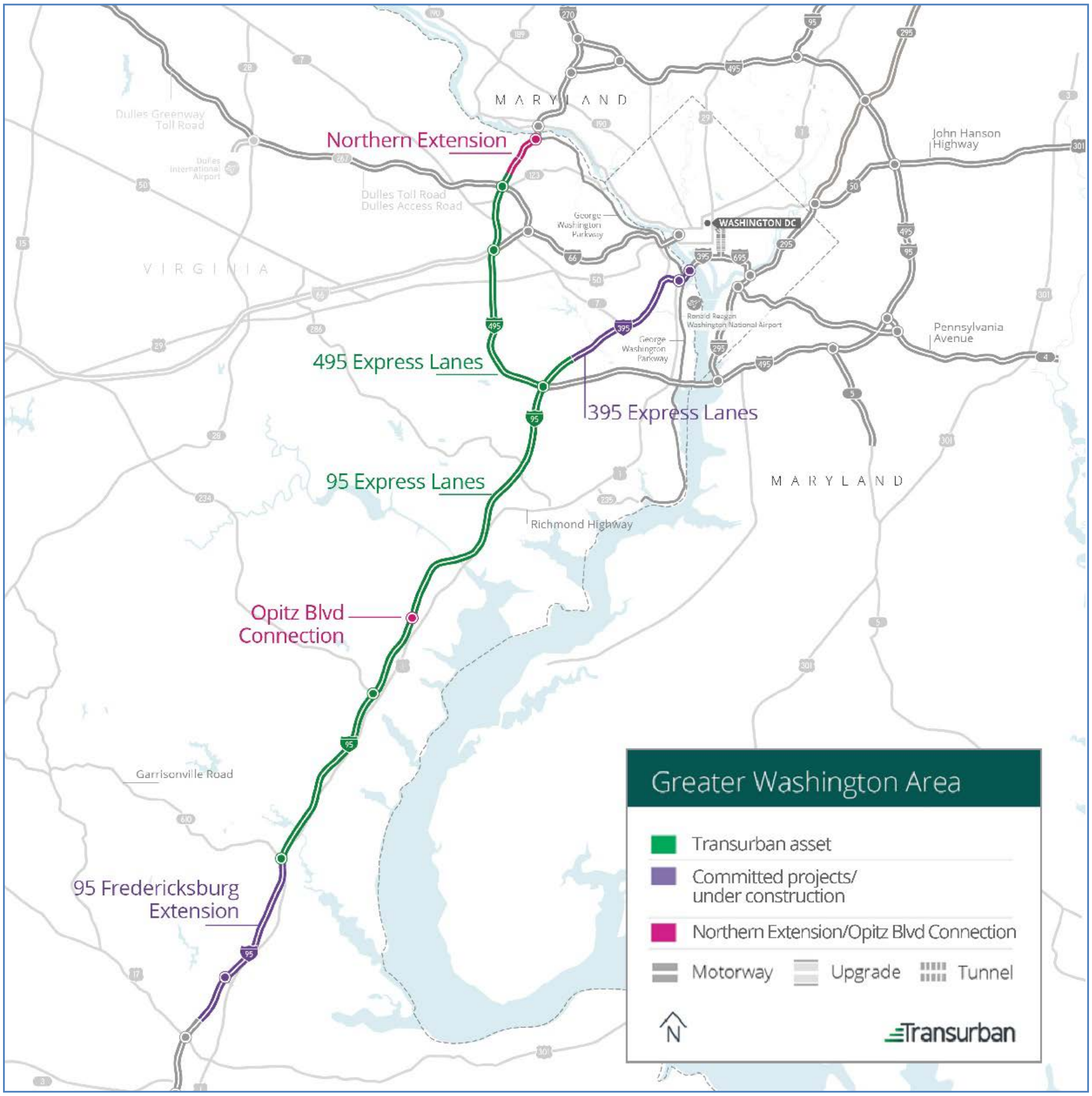
- ***Northern Virginia Express Lanes Extensions.*** On January 29, 2019, Virginia Governor Ralph Northam announced an agreement with Transurban, the private operator of the 95 and 495 Express Lanes, to develop two new projects:

  Northern Extension (Project NEXT) - A 2.5-mile extension of the 495 Express Lanes north to the American Legion Bridge with direct connections to the George Washington Memorial Parkway and the Dulles Toll Road has an estimated capital cost of $550 million.

  Opitz Boulevard Connection – A new, reversible ramp connecting the existing 95 Express Lanes at Opitz Boulevard that will improve access to Potomac Mills and Sentara Virginia Medical Center has an estimated capital cost of $50 million.

  The Virginia Department of Transportation (VDOT) is advancing the required environmental studies for the projects and the partners are planning extensive engagement with the community and local stakeholders as they develop more detailed design plans. Construction could begin as early as 2020 and is expected to take approximately three years.

The Governor also announced that VDOT will construct a new southbound auxiliary lane on Interstate 95 in Woodbridge to address the traffic bottleneck at the Occoquan Bridge. Transurban is not responsible for the funding, design, construction or maintenance of the lane and does not intend to recover compensation from VDOT in connection with the construction of additional untolled capacity on Interstate 95.



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, 2019, 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
Commercial Paper Series One	***Up to $300 Million***	***JP Morgan***	***58 bps***	***August 11, 2011***	***April 13, 2020***

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 2019.[1]

2019 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
January 2019	1.74%	1.58%	0.16%

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

Calendar Year	CP 1 (JPM)	SIFMA	Spread
2018	1.44%	1.41%	0.03%
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 February 1, 2019, including accretion, is $3,127,314,027.[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 02/01/2019	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	312,333,489	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	96,512,071	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	1,002,573,374	1,063,933,468	Junior	Federal Loan	Baa2	A-	None
		$2,730,239,892	$ 3,127,314,027					

[2] The amount outstanding includes approximately $397 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 02/01/2019	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	312,333,489	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	96,512,071	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	1,063,933,468	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 3,127,314,027					

[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.

Refunding Candidates

The $198 million of Series 2009A First Senior Lien Current Interest Bonds are callable on October 1, 2019 at par. Current refunding bonds can be issued as early as July 3, 2019. Under current market conditions, a hypothetical tax-exempt refinancing of the Series 2009A Bonds might generate approximately $23.9 million of net present value savings.

Series	Callable Par/ Maturities	Coupon Range	Call Date	Call Premium	Net PV Savings	Negative Arbitrage
2009A	$198,000,000 (’30-‘44)	5.00% - 5.25%	10/01/19	0% (at par)	$23.9 mm 12.09%	$0.8 mm

The potential annual debt service reductions that could be achieved by refinancing the Series 2009A Bonds are relatively small (less than $1.7 million). The annual reduction in total debt service would not be sufficient to materially increase projected debt service coverage ratios or to reduce projected DTR toll rates.