



**JANUARY 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**

- ***Impact of Tax Reform Legislation on DCE Debt Program.*** The Budget Reconciliation Act for Fiscal Year 2018, also referred to as the Tax Cuts and Jobs Act, was signed into law on December 22, 2017. The Act eliminated the ability to advance refund outstanding Dulles Toll Road revenue bonds on a tax-exempt basis, but the Airports Authority can still undertake current refundings where the refunded debt is redeemed within 90 days of the date the tax-exempt refunding bonds are issued. The Airports Authority has one series of bonds callable on October 1, 2019 and another series callable on April 1, 2022. The Financial Advisors will monitor the potential benefits and risks associated with alternative refunding structures involving taxable bonds, “forward delivery” bonds or municipal derivatives.

It is too early to tell if the tax reform legislation will result in further sequestrations under the federal budget control law that would impact the federal subsidy payments received by the Airports Authority for Build America Bonds (BABs) issued in 2009 and 2010 to help finance the Rail Project.

- ***Dulles Toll Road Traffic and Revenue Study.*** The traffic and revenue consultant, CDM Smith, continues to work on calibrating the regional travel demand model and on developing inputs for future year estimates based on various forecasts for population and employment growth in the region and planned improvements to the regional roadway network.

## Relevant News Items

- ***Pocahontas Parkway Toll Rate Increase.*** Tolls on the privately-operated Pocahontas Parkway were increased on January 3, 2018. The Pocahontas Parkway, also known as Route 895, is an 8.8 mile long, four-lane, limited access toll road with a major bridge crossing over the James River near Richmond, Virginia. The rate at the main toll plaza increased from \$4.15 to \$4.30 and the rate at the ramp toll collection points increased from \$2.25 to \$2.35. Those traveling on the Pocahontas Parkway pay a toll either at the main toll plaza or a ramp.

The last toll increase, which was implemented on March 31, 2017, was also 15 cents at the main toll plaza and 10 cents at the ramps. In January 2016, the rates at the main toll plaza and the ramp toll collection points were increased by 75 cents. There were no toll increases in 2014 or 2015. Toll rates are capped pursuant to a 2006 agreement with the Virginia Department of Transportation (VDOT).

- ***New Express Lanes in Norfolk, Virginia.*** The VDOT is converting 8.4 miles of reversible high occupancy vehicle lanes on Interstate 64 in Norfolk to tolled express lanes. Tolling is scheduled to begin on January 10, 2018. On weekdays from 5:00 a.m. to 9:00 a.m. westbound and 2:00 p.m. to 6:00 p.m. eastbound, vehicles with two or more people (HOV2+) and vanpools can travel for free if they have an E-ZPass Flex transponder switched to HOV-mode. The lanes will remain open to all users during off-peak periods and weekends.



**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 January 1, 2018, was \$200,000,000. The Airports Authority can draw an additional \$100,000,000 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 2017.<sup>1</sup>

**2017 Variable Interest Rates (3-Month Rolling Average)**

Monthly	CP 1 (JPM)	SIFMA	Spread
December 2017	0.95%	1.03%	-0.08%
November 2017	0.92%	0.90%	0.02%
October 2017	0.92%	0.85%	0.07%
September 2017	0.92%	0.82%	0.10%
August 2017	0.92%	0.81%	0.11%
July 2017	0.91%	0.82%	0.09%
June 2017	0.88%	0.84%	0.04%
May 2017	0.83%	0.80%	0.03%
April 2017	0.78%	0.75%	0.03%
March 2017	0.73%	0.68%	0.05%
February 2017	0.72%	0.65%	0.07%
January 2017	0.72%	0.62%	0.10%

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

Calendar Year	CP 1 (JPM)	SIFMA	Spread
2016	0.38%	0.41%	-0.03%
2015	0.07%	0.03%	0.04%

<sup>1</sup> 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 January 1, 2018, including accretion, is \$2,856,541,998.<sup>2</sup> 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 <sup>3</sup>	Dated Date	Originally Issued Par Amount	Outstanding as of 01/01/2018	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement <sup>4</sup>
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	297,631,637	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	89,933,950	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	224,020,778	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 <sup>5</sup>	8/20/2014	792,540,602	825,420,633	Junior	Federal Loan	Baa2	A-	None
		\$2,520,207,120	\$ 2,856,541,998					

<sup>2</sup> The amount outstanding includes approximately \$336 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.

<sup>3</sup> Series 2010C was authorized but not issued.

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

<sup>5</sup> 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 01/01/2018	Lien	Tax Status and Structure	Principal Amortization	Yields <sup>6</sup>	Call Provisions <sup>7</sup>
2009A	\$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	297,631,637	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	89,933,950	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	224,020,778	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	825,420,633	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,856,541,998</u>					

<sup>6</sup> 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.

<sup>7</sup> 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.