



JUNE 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

- ***Recommendation to Authorize Public Hearings for Potential Dulles Toll Road Rate Adjustment.*** Under a separate agenda item, the Finance and Dulles Corridor Committees will be asked to consider a request to publish notice of a proposed amendment to the Airports Authority Regulations that set forth the DTR toll rates and to conduct public hearings in the Dulles Corridor on the proposed amendment. The Comprehensive Traffic and Revenue Study 2018 Update prepared by CDM Smith, the traffic and revenue consultant, is included as an attachment to the Board paper.

Informational Items

- ***Dulles Corridor Advisory Committee (DCAC) Meeting.*** The DCAC, which has eight members (two representatives each from the Airports Authority, Fairfax County, Loudoun County, and the Commonwealth of Virginia) met on May 31, 2018. The Committee received updates on the construction and financing of the Rail Project and a report on the DTR rate adjustment process and anticipated schedule.

Relevant News Items

- ***Elimination of Maryland E-ZPass Transponder Fee.*** On May 23, 2018, Maryland Governor Larry Hogan announced that the Maryland Transportation Authority (MDTA) is eliminating a \$7.50 transponder fee charged to new E-ZPass customers. Customers who paid the fee earlier this year will receive a \$7.50 credit if their accounts are properly registered and in good standing. In addition, the MDTA will replace nearly 400,000 older transponders at no cost to customers. The cost to purchase an E-ZPass Flex transponder in Maryland remains unchanged at \$16.50.

E-ZPass accounts without a Maryland address are charged a \$1.50 monthly account maintenance fee. The maintenance fee is waived if the out-of-state customer used Maryland toll facilities at least three times in the previous statement period.

The Virginia Department of Transportation does not charge an upfront fee for transponders or monthly account maintenance fees, but Virginia E-ZPass customers are required to pre-pay a minimum of \$35 in tolls for each transponder when opening an account. In Maryland, a pre-paid toll amount of \$25 is required for each transponder requested.

- ***West Virginia Parkways Authority Public Meetings on Proposed Toll Rate Changes.*** During the month of May 2018, the West Virginia Parkways Authority (Parkways Authority) held four public meetings concerning proposed changes to West Virginia Turnpike toll policies. The stated purpose of the open-house style public meetings was to provide information to the public and to provide an opportunity for the public to submit comments and questions.

The Parkways Authority has proposed to double the current toll rates for all classes of vehicles effective January 1, 2019. The passenger vehicle toll, for example, would increase from \$2.00 to \$4.00 at each of the three toll plazas. Beginning in calendar year 2022, the toll rate schedule would be subject to an automatic increase of 5 percent every three years with the amount of any such increase rounded to the nearest \$0.25 for the cash rate at each Mainline Toll Plaza and to the nearest \$0.10 for the cash rate at the North Beckley Plaza.

The Parkways Authority also proposes to implement a single fee discount program, under which customers who enroll by December 31, 2018 will obtain unlimited travel on the Turnpike for three calendar years (2019, 2020 and 2021) for a one-time payment of \$24, plus applicable costs of issuing the special transponder required for such vehicle. Those who enroll after December 31, 2018, can obtain unlimited travel on the Turnpike for an annual fee of \$25, plus applicable costs of issuing the special transponder required for such vehicle.

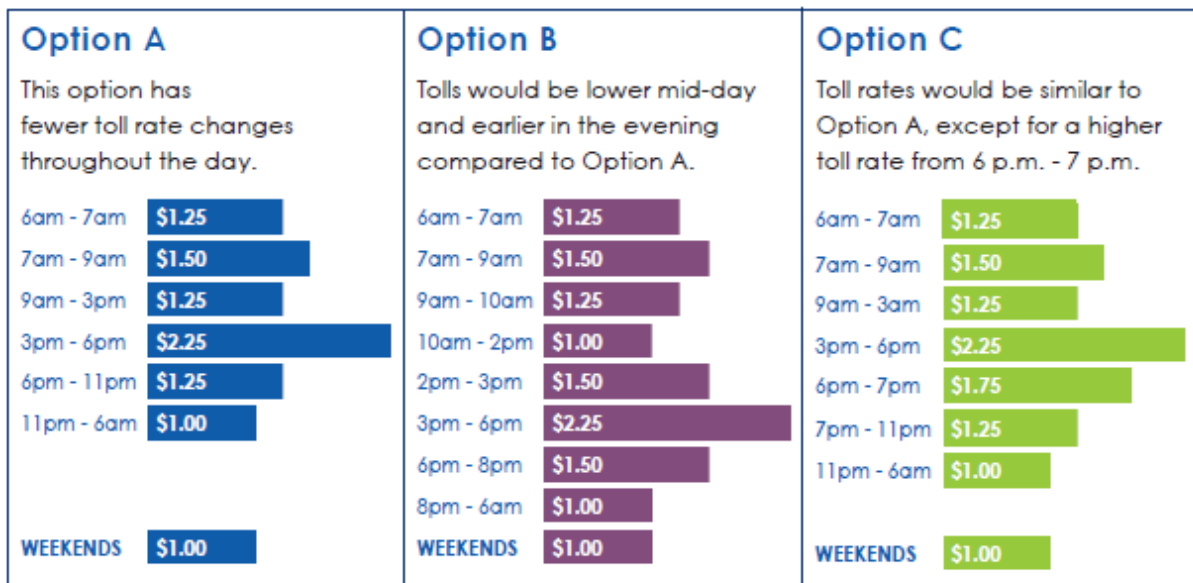
If the new toll policy is implemented, total transactions are expected to decrease from approximately 39.8 million in 2018 to 34.5 million in 2019. Toll revenue is projected to increase from \$93.2 million in 2018 to \$113.3 million in 2019. The additional toll revenue will be used to support the issuance of approximately \$300 million of Parkways revenue bonds.

- **Public Input Process for State Route 99 Tunnel Toll Rates.** On May 22, 2018, the Washington State Transportation Commission (Transportation Commission) announced that public input meetings will be held in June to gather feedback on three toll-rate options under consideration for the new SR 99 Tunnel, which is expected to open to traffic in the fall of 2018. The Transportation Commission will select one toll rate option to advance for further public review and input before the toll rates are adopted.

The Transportation Commission’s objectives in determining toll rates include:

- minimize diversion, particularly during initial years of tolling as downtown Seattle construction limits capacity of alternate routes;
- support facility performance and the customer experience; and
- provide sustainable toll rates that meet all legally required financial obligations.

The Transportation Commission has identified three possible toll rate options, each of which would initially range from \$1 to \$2.25 for *Good To Go!* customers depending on the time of day. Drivers without an account would be sent a toll bill in the mail that costs an additional \$2 per trip of the toll rate in effect at the time of travel.



Future Increases:

- Tolls increase 3% every three years starting in 2022.
- Rate increases include nights and weekends.

Future Increases:

- Weekday tolls increase 3.5% a year from 2020 to 2024, a total of 5 toll rate increases.
- No toll rate increases on nights or weekends.

Future Increases:

- Tolls increase 5% in 2024, 2029 and 2034, a total of 3 toll rate increases.
- Rate increases include nights 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 June 1, 2018, was \$55,000,000. The Airports Authority can draw an additional \$245,000,000 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
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%
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 June 1, 2018, including accretion, is \$2,981,450,110.² 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 06/01/2018	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	300,826,632	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	92,376,055	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	229,990,991	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	892,679,446	938,721,433	Junior	Federal Loan	Baa2	A-	None
		\$2,620,345,964	\$ 2,981,450,110					

² The amount outstanding includes approximately \$361 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 06/01/2018	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	300,826,632	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	92,376,055	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	229,990,991	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	938,721,433	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,981,450,110</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.