



MAY 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

- ***Dulles Toll Road First Senior Lien Revenue Refunding Bonds, Series 2019A.*** Under a separate agenda item, the finance team will recommend that the Finance Committee and the Board approve the authorizing resolution for the issuance of Series 2019A Bonds in an amount not to exceed \$200 million. Proceeds of the Series 2019A Bonds, along with other available funds, will be used to refund all of the outstanding Dulles Toll Road First Senior Lien Revenue Series 2009A Bonds and to pay issuance costs. Subject to market conditions, and the approval of the resolution and substantially final documents by the Finance Committee and Board, the bond sale is expected to occur on or about June 6, 2019, with a closing on July 10, 2019.

Relevant News Items

- ***Dulles Greenway Toll Increase and First Quarter Operating Results.*** On April 4, 2019, the Virginia State Corporation Commission (SCC) issued a Final Order approving a toll increase for the Dulles Greenway toll facility effective April 10, 2019. The toll rate for 2-axle vehicles increased 10 cents, from \$4.65 to \$4.75, and the Congestion Management Toll (applicable only to weekday traffic in the peak period and direction) increased 15 cents from \$5.65 to \$5.80. The toll rates cited above do not include the Dulles Toll Road ramp toll (currently \$1.50 for a 2-axle vehicle) collected on behalf of the Airports Authority.

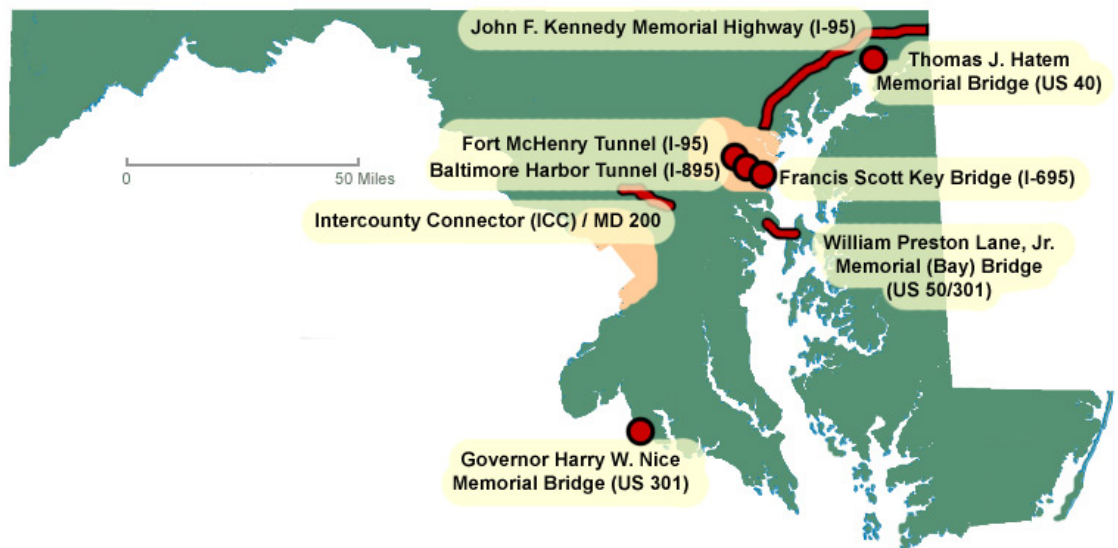
On April 24, 2019, Atlas Arteria (ALX), the owner of the private toll concession for the Dulles Greenway, released toll revenue and traffic statistics for the quarter ending March 31, 2019. Average daily toll revenue for the quarter was \$227,459, approximately 0.4 percent less than the same period last year. Average daily traffic decreased by approximately 1.9 percent to 46,452 transactions. ALX cites adverse

weather conditions and the federal government shutdown in January 2019 as key factors that impacted traffic.

- ***Elimination of Cash Option at Two Maryland Toll Bridges.*** On April 11, 2019, the Maryland Transportation Authority (MDTA) announced that the Thomas J. Hatem Memorial Bridge (US 40) in Harford and Cecil Counties and the Francis Scott Key Bridge (I-695) in Baltimore will be converted to a cashless, all-electronic toll collection system.

The MDTA plans to install new overhead tolling gantries at the Hatem and Key Bridges by September 2019. Starting in late October 2019, all tolls at the two bridges will be collected electronically via the gantries but drivers will continue to travel through the existing toll plazas. In spring 2021, the final work at the Hatem and Key Bridges will be completed, including demolition of the existing toll plazas and pavement reconstruction. At that time, motorists will be able to travel at highway speeds with tolls collected electronically. Customers without a valid E-ZPass account will receive a notice in the mail (sent to the registered owner of the vehicle) and will be charged a video toll rate equal to 1.5 times the applicable base toll rate.

The MDTA announcement stated that other Maryland toll facilities will be converted in the future but the bridge conversions were undertaken first because 93 percent of Hatem Bridge customers and 80 percent of Key Bridge customers currently pay with E-ZPass.



MDTA Toll Facility Locations

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 May 1, 2019, was \$50,000,000. The Airports Authority can draw an additional \$250,000,000 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 2019.¹

2019 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
April 2019	1.66%	1.68%	(0.02%)
March 2019	1.68%	1.55%	0.13%
February 2019	1.70%	1.57%	0.13%
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 May 1, 2019, including accretion, is \$3,205,774,003.² 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 05/01/2019	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	314,236,734	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	98,076,015	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	1,077,566,161	1,138,926,255	Junior	Federal Loan	Baa2	A-	None
		<u>\$2,805,232,679</u>	<u>\$ 3,205,774,003</u>					

² The amount outstanding includes approximately \$401 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 05/01/2019	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	314,236,734	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	98,076,015	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	1,138,926,255	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 3,205,774,003</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.

Refunding Candidates

The \$198 million of Series 2009A First Senior Lien Current Interest Bonds are callable on October 1, 2019 at par. The finance team is working on a current refunding of those bonds and a recommendation with respect thereto will be presented to the Finance Committee and the Board under a separate agenda item. Under current market conditions, a tax-exempt refinancing of the Series 2009A Bonds would generate approximately \$40.3 million of net present value savings.

Series	Callable Par/ Maturities	Coupon Range	Call Date	Call Premium	Net PV Savings
2009A	\$198,000,000 ('30-'44)	5.00% - 5.25%	10/01/19	0% (at par)	\$40.3 million 20.4% of refunded par

The estimated reduction in annual debt service each year from 2020 to 2029 is approximately \$1.8 million increasing to \$3.2 million in the years 2030 to 2044. The potential annual savings are relatively small and are not sufficient to materially increase projected debt service coverage ratios or to reduce the anticipated DTR toll rates in future years.