



NOVEMBER 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

- ***Proposed Amendment to the Regulation that Establishes DTR Toll Rates.*** As a separate agenda item, Finance Staff and the Financial Advisor recommend that the Finance and Dulles Corridor Committees approve actions set forth in the staff recommendation related to increasing DTR toll rates and working with the Virginia Department of Transportation, Fairfax County, Loudoun County and, as appropriate, the Northern Virginia Transportation Authority on efforts to enhance mobility in the Dulles Corridor and to mitigate future DTR toll rate increases.

Informational Items

- ***Litigation Update.*** As previously reported, on July 5, 2016, six users of the Dulles Toll Road, individually and on behalf of all others similarly situated, filed a class action complaint against the Airports Authority, the United States Department of Transportation and the Secretary of Transportation in federal district court. Included among the claims raised in the amended complaint were challenges to the tolls the Airports Authority has set for the Dulles Toll Road to help fund construction of the Silver Line Metrorail project and/or the constitutionality of the Airports Authority and allegations and claims regarding the operation of the Aviation Enterprise by the Airports Authority.

On May 30, 2017, the federal district court in Virginia granted the motions to dismiss filed by the Airports Authority and the federal defendants, rejected all claims asserted by plaintiffs in their amended complaint, and dismissed the amended complaint with prejudice.

On October 22, 2018, the federal Court of Appeals for the Fourth Circuit affirmed the decision of the federal district court and rejected all of the arguments presented by the plaintiffs-appellants. Appellants have 90 days in which to seek the review of the Fourth Circuit decision by the U.S. Supreme Court. While the Airports Authority intends to continue to vigorously defend against the claims raised in the litigation, it cannot predict whether the appellants will seek review by the U.S. Supreme Court and, if so, what action the U.S. Supreme Court might take.

Relevant News Items

- ***Dulles Greenway Operating Results.*** On October 23 2018, Atlas Arteria (ALX), the owner of the private toll concession for the Dulles Greenway, released toll revenue and traffic statistics for the quarter ending September 30, 2018.

Average daily toll revenue for the quarter was \$247,846, approximately 2.0 percent less than the same period last year. Average daily traffic decreased by approximately 4.7 percent to 50,174 transactions. ALX cites improvements to competing routes and weather events during the period as factors contributing to the decline in traffic.

The current toll rate for 2-axle vehicles using the Dulles Greenway is \$4.65 and the Congestion Management Toll (applicable only to weekday traffic in the peak period and direction) is \$5.65. Those toll rates do not include the DTR ramp toll collected on behalf of the Airports Authority.

- ***Express Lanes Operating Results.*** On October 11, 2018, Transurban, the private operator of the 495 Express Lanes and the 95 Express Lanes, released traffic data for the quarter ending September 30, 2018.

The average dynamic toll price for the quarter increased by 0.9 percent to \$8.40 on the 95 Express Lanes and the average number of daily trips decreased by 0.4 percent to approximately 51,000 trips.

The 495 Express Lanes had similar operating results for the quarter. The average dynamic toll price on that toll facility increased by 3.2 percent to \$5.35 and the average number of daily trips decreased by 1.2 percent to approximately 47,000 trips.

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 November 1, 2018, was \$105,000,000. The Airports Authority can draw an additional \$195,000,000 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
October 2018	1.64%	1.52%	0.12%
September 2018	1.48%	1.35%	0.13%
August 2018	1.43%	1.28%	0.15%
July 2018	1.46%	1.25%	0.21%
June 2018	1.47%	1.47%	0.00%
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%

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 November 1, 2018, including accretion, is \$3,092,364,397.² 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 11/01/2018	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	310,430,244	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	94,948,127	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	971,090,933	1,032,451,027	Junior	Federal Loan	Baa2	A-	None
		\$2,698,757,451	\$ 3,092,364,397					

² The amount outstanding includes approximately \$394 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 11/01/2018	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	310,430,244	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	94,948,127	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	1,032,451,027	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 3,092,364,397</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.