



OCTOBER 2020
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

No Action Items to Report.

Informational Items

- ***FY2021 Sequestration Rate for Build America Bonds (BABs).*** The sequestration reduction rate for federal fiscal year 2021, which began on October 1, 2020, will be 5.7 percent. The sequestration reduction will continue to be applied through September 30, 2030 unless and until a law is enacted that cancels or otherwise affects the sequester. The sequestration reduction rate for federal fiscal year 2020 was 5.9 percent.

The Airports Authority issued \$550 million of taxable BABs in 2009 and 2010 that are subject to sequestration. The semi-annual interest payments on those bonds total \$20.924 million and are payable on April 1 and October 1 of each year. The federal subsidy for the April 2021 and October 2021 semi-annual interest payments will be reduced by \$417,433.80 (5.7 percent of the stated 35 percent subsidy of \$7,323,400).

The 5.7 percent sequestration reduction for 2021, the lowest since 2013, will not have a material effect on the DTR credit. The effective annual subsidy from the federal government as a percentage of the scheduled debt service after application of the sequestration reduction will be 33 percent instead of the anticipated 35 percent.

Relevant News Items

- ***495 Express Lanes Northern Extension (495 NEXT) Project Update.*** The Virginia Department of Transportation (VDOT) presented preliminary design plans and

findings from the environmental assessment for the 495 NEXT Project at a virtual public hearing on October 5 and at an in-person (by appointment only) public hearing on October 8, 2020. The design public hearing, previously scheduled for March 12, 2020, had been postponed due to COVID-19 concerns. Public comments can now be submitted through October 23, 2020.

The 495 NEXT Project will extend the 495 Express Lanes by approximately three miles from the DTR interchange to the George Washington Memorial Parkway interchange in the vicinity of the American Legion Bridge. The project is intended to reduce congestion, improve safety and travel reliability, and provide additional travel choices.



495 NEXT Access Points

- Dulles Greenway Update.** On September 28, 2020, Toll Road Investors Partnership II, L.P. (TRIP II), the owner and operator of the private toll concession for the Dulles Greenway, submitted final arguments to the Hearing Examiner appointed by the Virginia State Corporation Commission (SCC) to review the company's application to increase Dulles Greenway toll rates over each of the next five years. Briefs were also filed by the Loudoun County Board of Supervisors and SCC staff. The Hearing Examiner will review the numerous legal briefs, expert testimony and public

comments submitted over the past year and file a report with the SCC that summarizes the findings and recommendations.

Pursuant to § 56-542 of the Code of Virginia, the SCC has the authority to approve or revise toll prices for the Dulles Greenway upon finding that the toll rates are: (i) reasonable to the user in relation to the benefit obtained; (ii) will not materially discourage use of the roadway by the public; and (iii) will provide the owner no more than a reasonable return as determined by the SCC. The SCC's final decision on the application may not be announced until early 2021.

On August 27, 2020, TRIP II announced the completion of a capital project at the east end of the facility that includes the addition of a lane that extends from the Greenway's mainline plaza along the DTR to Centreville Road. The improvement is designed to improve the safety of the merge between Greenway customers and traffic entering the DTR from Route 28 and Washington Dulles International Airport.

TRIP II announced on July 27, 2020, that Renée N. Hamilton will serve as Chief Executive Officer for the Dulles Greenway. Ms. Hamilton worked for VDOT for 32 years, serving most recently as the Deputy District Administrator for Northern Virginia.

Dulles Greenway operating data for the six-month period ending June 30, 2020, shows a 42.2 percent decline in average daily traffic compared to the same period last year (from 41,946 to 28,430). Total revenue for the first half of 2020 was \$26.3 million versus \$44.4 million in the first half of 2019 (a 40.7 percent decrease).

- ***Express Lanes Operating Data.*** On August 12, 2020, Transurban, the private operator of the 495 Express Lanes and the 95 Express Lanes, released traffic data for the quarter ending June 30, 2020.



The average dynamic toll price on the 495 Express Lanes decreased by 6.1 percent to \$5.27, and the average number of daily trips decreased by 71.5 percent to approximately 14,000 trips.



The average dynamic toll price for the quarter decreased by 5.0 percent to \$8.63 on the 95 Express Lanes compared to the same quarter last year. The average number of daily trips decreased by 64.7 percent to approximately 19,000 trips.

MONTHLY UPDATE: OUTSTANDING DCE DEBT

The total amount of outstanding DTR Revenue Bonds as of October 1, 2020, including accretion, is \$3,330,321,290.¹ Tables 1 and 2 provide detail on each series of bonds.

**Table 1: DTR Revenue Bonds
Amount Outstanding by Series and Credit Ratings**

Series ²	Dated Date	Originally Issued Par Amount	Outstanding as of 10/01/2020	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement ³
2019A ⁴	7/10/2019	\$ 163,110,000	\$ 163,110,000	First Senior	Tax-Exempt Current Interest Bonds	A2	A	None
2009B	8/12/2009	207,056,689	333,737,415	Second Senior	Tax-Exempt CABs	Baa1 A2(Insured)	A- 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	A-	None
2010A	5/27/2010	54,813,219	107,573,875	Second Senior	Tax-Exempt CABs	Baa1	A-	None
2010B	5/27/2010	137,801,650	235,000,000	Second Senior	Tax-Exempt Convertible CABs	Baa1	A-	None
2014A	5/14/2014	421,760,000	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	Baa1	A-	None
2010D	5/27/2010	150,000,000	150,000,000	Subordinate	Taxable Build America Bonds	Baa2	A-	None
2019B ⁵	12/19/2019	1,269,365,000	1,269,365,000	Subordinate	Tax-Exempt Current Interest Bonds	Baa2 A2(Insured)	A- AA(Insured)	\$300,000,000 Assured Guaranty
		\$2,962,141,518	\$ 3,330,321,290					

¹ The amount outstanding includes approximately \$368 million of net accreted value on outstanding capital appreciation bonds and convertible capital appreciation bonds. 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.

² Series 2010C was authorized but not issued.

³ Bonds insured by Assured Guaranty are rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

⁴ Proceeds of the Series 2019A Bonds, along with other available funds, were used to refund all outstanding DTR First Senior Lien Revenue Series 2009A Bonds on October 1, 2019.

⁵ Proceeds of the Series 2019B Bonds, along with other available funds, were used to repay the DTR Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan in full on December 19, 2019. The TIFIA Loan Agreement has been terminated and no Junior Lien Bonds remain outstanding.

**Table 2: DTR Revenue Bonds
Interest Rates and Call Provisions**

Series	Outstanding as of 10/01/2020	Lien	Tax Status and Structure	Principal Amortization	Yields ⁶	Call Provisions ⁷
2019A	\$ 163,110,000	First Senior	Tax-Exempt Current Interest Bonds	2031-2044	2.11% to 2.63%	10/01/2028 at Par
2009B	333,737,415	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%	10/01/2026 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	107,573,875	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%	10/01/2028 at Accreted Value
2014A	421,760,000	Second Senior	Tax-Exempt Current Interest Bonds	2051-2053	4.40%	04/01/2022 at Par
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
2019B	1,269,365,000	Subordinate	Tax-Exempt Current Interest Bonds	2033-2053	2.26% to 3.17%	10/01/2029 at Par
	<u>\$ 3,330,321,290</u>					

⁶ The overall average cost of capital, after taking into account the refunding of the Series 2009A Bonds and the DTR TIFIA Loan, is approximately 4.44 percent.

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 12 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.