



OCTOBER 2015
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

- ***Supreme Court Declines to Review Toll Road Case.*** On October 5, 2015, the United States Supreme Court denied a petition for certiorari filed by the plaintiffs-appellants in *Corr, et al vs. Metropolitan Washington Airports Authority*. The action ends litigation initiated in April 2011 by two users of the Dulles Toll Road who claimed, among other things, that the tolls established by the Airports Authority constitute “taxes,” not “user fees.”

The original class action lawsuit was dismissed by a federal district court in July 2011. The plaintiffs appealed the district court’s dismissal to the United States Court of Appeals for the Federal Circuit. In December 2012, the Federal Circuit determined that it lacked jurisdiction over the appeal and transferred the case to the Court of Appeals for the Fourth Circuit.

The Fourth Circuit affirmed the district court ruling and the dismissal of the plaintiffs’ complaint in January 2014. In June 2014, the plaintiffs-appellants filed a petition asking the United States Supreme Court to hear their appeal on an issue that was only secondarily raised in the lower courts – i.e., whether the governing structure of the Airports Authority violates Article II of the U.S. Constitution because a majority of the Board of Directors are not Presidential appointees.

The Airports Authority, the Commonwealth of Virginia and the District of Columbia filed briefs in opposition to the petition. In May 2015, the Solicitor General submitted a brief on behalf of the United States expressing the view that the petition should be denied.

Relevant News Items

- ***Pennsylvania Turnpike Commission Ratings.*** The Pennsylvania Turnpike Commission (PTC) plans to issue approximately \$210 million of Subordinate Lien Turnpike Revenue Bonds in the month of October. The new bond issue has been assigned ratings of A3, A-, and A- by Moody's, Standard & Poor's (S&P) and Fitch Ratings, respectively, the same ratings assigned to approximately \$4.2 billion of outstanding PTC subordinate lien revenue bonds.

The PTC is not issuing any additional senior lien revenue bonds in the upcoming transaction, but as part of the rating review, S&P lowered its long-term rating to A from A+ on approximately \$4 billion of PTC's outstanding senior lien bonds. The action was taken to conform to new rating criteria issued by S&P in May 2015 that is intended to result in more consistent rating differentials between senior and subordinate debt.

- ***Dulles Greenway Toll Rate Investigation.*** On September 4, 2015, the Virginia State Corporation Commission (SCC) issued an order closing the investigation of the toll rates charged by the private owners of the Dulles Greenway toll facility. No change was made to the current toll rate structure or the process for evaluating future requests for toll rate increases. The SCC did direct the owners to confer with the Virginia Department of Transportation on the efficacy of performing detailed feasibility studies of distance-based pricing options for the Dulles Greenway.

The investigation was initiated in January 2013 in response to complaints from Virginia State Delegate David Ramadan about the structure and the level of the toll rates approved by the SCC. Several public hearings were held on the matter and the participants filed a significant amount of testimony and data. After considering the arguments and the evidence submitted, the SCC concluded, among other things, that the Dulles Greenway toll rates "are reasonable to the user in relation to the benefit obtained" and that the tolls "will not materially discourage use of the roadway by the public within the meaning of the statute."

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 October 1, 2015, was \$205 million. The Airports Authority can draw an additional \$95 million 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>65 bps</i>	<i>August 11, 2011</i>	<i>August 11, 2016</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 2015.¹

2015 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
September 2015	0.08%	0.03%	0.05%
August 2015	0.09%	0.04%	0.05%
July 2015	0.09%	0.07%	0.02%
June 2015	0.08%	0.08%	0.00%
May 2015	0.07%	0.06%	0.01%
April 2015	0.07%	0.03%	0.04%
March 2015	0.07%	0.02%	0.05%
February 2015	0.08%	0.03%	0.05%
January 2015	0.08%	0.04%	0.04%

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

Calendar Year	CP 1 JPM	SIFMA	Spread
2014	0.10%	0.05%	0.05%
2013	0.15%	0.09%	0.06%
2012	0.20%	0.16%	0.04%
2011 ²	0.18%	0.15%	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.

² 08/11/11 through the end of the calendar year

FFGA Notes. On December 17, 2012, the Airports Authority issued \$200 million of fixed rate notes secured by the remaining federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project. The total amount outstanding as of October 1, 2015, is \$156,317,308.

Program	Amount Issued	Rate	Lender	Dated Date	Scheduled Final Maturity
<i>FFGA Notes, Series 2012</i>	<i>\$200 Million</i>	<i>2.16%</i>	<i>Bank of America</i>	<i>December 1, 2012</i>	<i>December 1, 2016</i>

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of October 1, 2015, including accretion, is \$ \$2,173,887,943.³ The tables on the following pages provide detail on each series of bonds.

Refunding Opportunities

The Series 2009A First Senior Lien Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding will not generate sufficient debt service savings to pursue a transaction due to the significant negative arbitrage in the required refunding escrow.

³ The amount outstanding includes approximately \$232 million of net accreted value on outstanding capital appreciation bonds, convertible capital appreciation bonds and the Transportation Infrastructure Finance and Innovation Act (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.

Table 1: Dulles Toll Road Revenue Bonds
Amount Outstanding by Series and Credit Ratings

Series ⁴	Dated Date	Originally Issued Par Amount	Outstanding as of 10/1/2015	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement ⁵
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	280,260,499	Second Senior	Tax-Exempt CABs	Baa1/A2(Insured)	BBB+/AA(Insured)	\$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	234,296,443	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	77,656,552	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	193,966,844	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 ⁶	8/20/2014	214,079,103	217,947,605	Junior	Federal Loan	Baa2	BBB-	None
		<u>\$ 1,941,745,621</u>	<u>\$ 2,173,887,943</u>					

⁴ Series 2010C was authorized but not issued.

⁵ Bonds insured by Assured Guaranty are rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

⁶ 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 10/1/2015	Lien	Tax Status and Structure	Principal Amortization	Yields ⁷	Call Provisions ⁸
2009A	\$ 198,000,000	First Senior	Tax-Exempt Current Interest Bonds	2030-2044	5.18% to 5.375%	October 1, 2019 at Par
2009B	280,260,499	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	234,296,443	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	77,656,552	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	193,966,844	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	217,947,605	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 2,173,887,943</u>					

⁷ 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.

⁸ 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.