MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

JANUARY 2019
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

- ***DTR Toll Increase.*** On January 1, 2019, toll rates on the DTR were increased for the first time since 2014. The toll rate for two-axle vehicles increased by $0.75 at the mainline toll plaza (from $2.50 to $3.25) and by $0.50 at the tolled ramp locations (from $1.00 to $1.50).

  The 2019 toll increase was approved by the Board of Directors in November 2018 following an extensive public comment period and consultation with the Dulles Corridor Advisory Committee (DCAC). The DCAC, which includes representatives from Fairfax County, Loudoun County, and the Commonwealth of Virginia, was established in 2007 to provide advice to the Airports Authority on changes to DTR toll rates and other matters.

Relevant News Items

- ***Tentative Agreement to Modify Dulles Greenway Off-Peak Toll Rates.*** On December 4, 2018, the private operator of the Dulles Greenway toll road announced a tentative agreement with elected officials from Loudoun County to implement distanced-based pricing during off-peak hours. The press release stated:

  > "We are pleased to work with members of the Loudoun County delegation, including members of the General Assembly and Loudoun County Board of Supervisors, to find ways to improve our customers' experience on the Dulles

> Greenway. This includes addressing cost issues for use of the Greenway during off-peak hours. We believe we are close to an agreement that implements toll relief to drivers using the Greenway during off-peak hours, while putting in place regulatory certainty that enables us to make the sizable investments in infrastructure and tolling systems improvements required for distance-based tolling. We anticipate this will improve mobility throughout the region."

If the proposed change is implemented, customers who use the Dulles Greenway during off-peak hours, weekends, and holidays will pay a toll of $1.00 per mile up to the maximum off-peak toll rate, which is currently $4.65. There would be no change to the congestion management toll rate (applicable only to weekday traffic in the peak period and direction) which is currently $5.65. The Greenway toll rates are subject to annual escalation and the amounts do not include the DTR ramp toll collected at the Dulles Greenway mainline toll plaza on behalf of the Airports Authority.

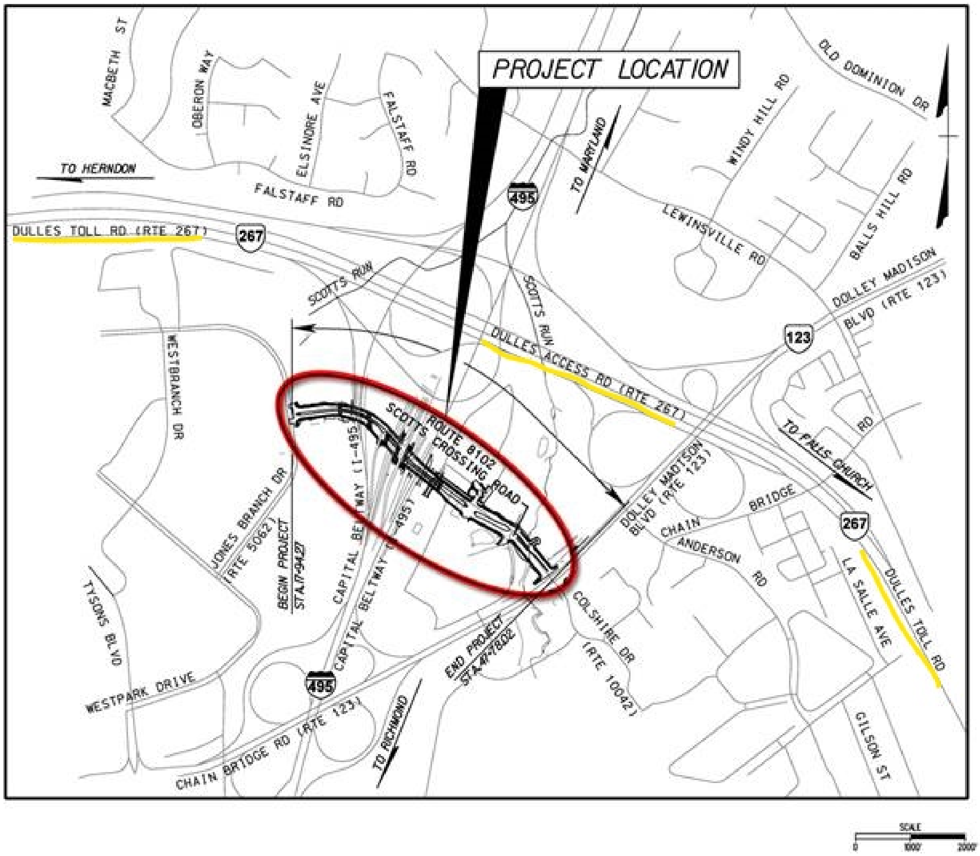
The estimated cost to upgrade the Dulles Greenway toll collection system and related roadway infrastructure to enable distanced-based pricing is approximately $30 million. The owners of the Dulles Greenway intend to cover the full cost if state legislation is enacted that reduces uncertainty regarding regulatory approval of future toll rate adjustments. Under existing law, annual toll increases are authorized through 2020 at a rate equal to the greater of the increase in the consumer price index plus 1 percent, real gross domestic product (GDP) growth, or 2.8 percent. An additional toll increase can be imposed to offset certain property tax increases or to ensure that the private owner generates sufficient toll revenue to achieve certain debt service coverage ratios.

- ***Partial Opening of Jones Branch Connector.*** On December 15, 2018, the Virginia Department of Transportation (VDOT) opened one lane of traffic in each direction on a new bridge and roadway from the interchange of the 495 Express Lanes and Jones Branch Drive to Route 123. Construction of additional lanes and other improvements is scheduled to be completed in the fall of 2019.

  By providing an alternate route across the Capital Beltway and linking the Tysons East and Tysons Central areas, the Jones Branch Connector is expected to relieve traffic along Route 123, at the I-495 interchange, and at other congested intersections.

  The $58 million project is funded through a combination of federal, state and county funds. Fairfax County led design and development of the project and VDOT is managing construction.

Location of Jones Branch Connector Project



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 January 1, 2019, was $140,000,000. The Airports Authority can draw an additional $160,000,000 under this program.

Program	Authorized Amount	Letter of Credit Provider	Cost	Dated Date	Expiration Date
Commercial Paper Series One	***Up to $300 Million***	***JP Morgan***	***58 bps***	***August 11, 2011***	***April 13, 2020***

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
December 2018	1.74%	1.63%	0.11%
November 2018	1.71%	1.57%	0.14%
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 January 1, 2019, including accretion, is $3,116,665,530.[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 01/01/2019	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	311,699,074	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	95,990,756	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	993,080,605	1,054,440,699	Junior	Federal Loan	Baa2	A-	None
		$2,720,747,123	$ 3,116,665,529					

[2] The amount outstanding includes approximately $396 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 01/01/2019	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	311,699,074	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	95,990,756	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	1,054,440,699	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 3,116,665,529					

[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.