



OCTOBER 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

- ***Request for Proposals to Provide Underwriting Services.*** The Technical Evaluation Committee (TEC) has evaluated proposals from members of the Underwriting Pool established in January 2019 to serve as underwriters for potential upcoming bond transactions. The TEC recommendation will be provided in a separate staff paper.

Informational Items

- ***Dulles Corridor Advisory Committee (DCAC) Meeting.*** The DCAC, which has eight members (two representatives each from the Airports Authority, Fairfax County, Loudoun County, and the Commonwealth of Virginia) met on September 27, 2019. The Advisory Committee received updates on the construction and financing of the Rail Project.
- ***Litigation Update.*** As previously reported in the case of Kerpen v. Metropolitan Washington Airports Authority, six users of the DTR, individually and on behalf of all others similarly situated, filed a class action complaint in July 2016 against the Airports Authority, the United States Department of Transportation and the Secretary of Transportation in federal district court in Alexandria, Virginia. Included among the statutory and constitutional claims raised in an amended complaint were challenges (i) to the tolls the Airports Authority has set for the DTR to help fund construction of the Silver Line Metrorail project, (ii) to the constitutionality of the Airports Authority itself, and (iii) to the Airports Authority's operation of its Aviation Enterprise.

All claims presented by the plaintiffs were rejected by the district court which dismissed their complaint with prejudice in May 2017, and its rulings were affirmed by the U.S. Court of Appeals for the Fourth Circuit in October 2018. On October 7,

2019, the U.S. Supreme Court denied plaintiffs' petition for a writ of certiorari in which they requested that the Supreme Court review the Fourth Circuit's decision affirming the district court's rejection of plaintiffs' claims.

Relevant News Items

- ***Potential Refinancing of New York State Thruway Authority TIFIA Loan.*** On September 23, 2019, the New York State Thruway Authority authorized the issuance of approximately \$1.7 billion of junior indebtedness obligations secured by the net toll revenue generated by the 570-mile Thruway System after payment of operating and maintenance expenses and senior lien debt service. Proceeds of the junior lien bonds are expected to be used to redeem an outstanding \$1.6 billion TIFIA Loan and to fund capitalized interest and certain capital costs.

The proposed refinancing is expected to close by October 30, 2019, but the timing, size and structure of the transaction is subject to market conditions. The Thruway's junior lien bonds are rated "A2" by Moody's Investors Service and "A-" by S&P Global Ratings.

- ***Maryland Toll Modernization Hearings.*** During the month of September, the Maryland Transportation Authority (MDTA) held nine public hearings at various locations throughout the state to provide opportunities for customers to comment on proposed changes to its toll collection policies. Options under consideration include:
 - Pay-By-Plate. Customers who register their license plate and a credit card either online or at a customer service center would be charged the cash toll rate at toll facilities that accept cash. This option may be attractive to infrequent toll customers as well as those who do not want to maintain a prepaid E-ZPass balance.¹
 - New vehicle classes with lower rates. Toll rates would be reduced 50 percent for motorcycles, and would be cut 25 and 17 percent, respectively, for "light" vehicles towing one- and two-axle trailers, such as those used for watercraft or landscaping equipment.
 - Discount for Early Payment of Video Tolls. A 15 percent discount for Pay-by-Invoice (Video Tolling) customers who pay the toll before their invoices are mailed and within a predetermined time period.

¹ Pay-by-Plate customers who use the all-electronic Intercounty Connector/MD 200 (ICC) and the I-95 Express Toll Lanes (ETL) will pay at least 20 percent less than the Pay-by-Invoice (Video Toll) rate and 25 percent more than the E-ZPass rate.

Customers submitted comments online or mailed comment cards through October 3, 2019. A Toll Hearing Final Report will be posted at mdta.maryland.gov for additional public comment on October 31, 2019. The MDTA Board is scheduled to vote on a final recommendation at its November 21, 2019 meeting.

- Route 28 and Route 267 Study.** On September 18, 2019, the Commonwealth Transportation Board authorized the Virginia Department of Transportation to enter into a Project Agreement with Loudoun County, Fairfax County, the Airports Authority and Toll Road Investors Partnership II, L.P., the private owner of the Dulles Greenway, for a study of the interchange of Route 28 and Route 267 (the Dulles Toll Road and the Dulles Greenway).

Objectives for the study include identifying strategies to improve operations and safety, analyzing roadway conditions, land development needs and projected traffic growth in the area and developing a master plan for future projects.



VDOT Route 28 Interchange Study Area

MONTHLY UPDATE: OUTSTANDING DCE DEBT

SHORT-TERM NOTES AND LOANS

Commercial Paper Notes. The aggregate principal amount of DTR Second Senior Lien Commercial Paper Notes outstanding as of October 1, 2019, was \$25,000,000. The Airports Authority can draw an additional \$275,000,000 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 2019.²

2019 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
September 2019	1.36%	1.38%	(0.02%)
August 2019	1.42%	1.47%	(0.05%)
July 2019	1.51%	1.54%	(0.03%)
June 2019	1.61%	1.69%	(0.08%)
May 2019	1.68%	1.67%	0.01%
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%

² 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.

DTR REVENUE BONDS

The total amount of outstanding DTR Revenue Bonds as of October 1, 2019, including accretion, is \$3,240,608,921.³ Tables 1 and 2 provide detail on each series of bonds.

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

Series ⁴	Dated Date	Originally Issued Par Amount	Outstanding as of 10/01/2019	Lien	Tax Status	Moody's Rating	S&P Rating	Credit Enhancement ⁵
2019A ⁶	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	324,387,936	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	100,786,200	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 ⁷	8/20/2014	1,134,429,692	1,195,789,786	Junior	Federal Loan	Baa2	A-	None
		\$2,827,206,210	\$ 3,240,608,921					

³ The amount outstanding includes approximately \$413 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.

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 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.

⁷ The Airports Authority can issue up to \$1,278 million of TIFIA Series 2014 Bonds (excluding capitalized interest) to finance eligible Phase 2 Rail Project costs.

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

Series	Outstanding as of 10/01/2019	Lien	Tax Status and Structure	Principal Amortization	Yields ⁸	Call Provisions ⁹
2019A	\$ 163,110,000	First Senior	Tax-Exempt Current Interest Bonds	2031-2044	2.11% to 2.63%	10/01/2028 at Par
2009B	324,387,936	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	100,786,200	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
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%	04/01/2022 at Par
TIFIA Series 2014	1,195,789,786	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 3,240,608,921</u>					

⁸ The all-in interest cost for the individual series of bonds ranges between 3.21 percent for the TIFIA loan and 7.43 percent for the Series 2009B CABs. The overall average cost of capital is approximately 4.56 percent.

⁹ 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.