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SEPTEMBER 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

- ***Northern Virginia Transportation Authority (NVTA) Grant.*** As a separate agenda item, Staff will request that the Dulles Corridor and Finance Committees recommend to the Board that the Airports Authority enter into a Project Agreement with Fairfax County to facilitate the processing of a grant from NVTA that will fund a portion of the cost to build the Innovation Center Metrorail Station (Innovation Station).

  The NVTA, a political subdivision of the Commonwealth of Virginia, works with local jurisdictions and transportation agencies to plan, prioritize and fund regional transportation projects. In 2013, NVTA selected 33 projects across Northern Virginia to receive a total of $210 million from newly-imposed regional taxes and fees that are collected by the state and distributed to NVTA. The NVTA funding authorization included $41 million for design, right-of-way acquisition, and construction of the Innovation Station (to be constructed at Route 28 and the Dulles International Airport Access Highway).

  Fairfax County prepared and submitted the successful application to the NVTA. Fairfax will receive $8 million as reimbursement for work it has undertaken on the project and the remaining $33 million will be provided by NVTA to the Airports Authority, at the direction of the County, to pay or reimburse costs of the Innovation Station.

  Pursuant to the Local Funding Agreement between the Airports Authority and Fairfax and Loudoun Counties, the funding allocations will be modified as summarized in the table on the next page. Fairfax County is seeking another $28 million from NVTA for the Innovation Station. If successful, the funding allocations will be modified in the same manner.

Adjustment to Rail Project Funding Allocations for NVTA Grant

$ Millions	Funding Allocation Prior to NVTA Grant	Allocation of NVTA Grant		Funding Allocation After NVTA Grant
Federal	900	-	-	900
Commonwealth of Virginia	575	-	-	575
NVTA	-	*33*	*100%*	33
Fairfax County	927	*(5.3)*	*-16.1%*	922
Loudoun County	276	*(1.6)*	*-4.8%*	275
MWAA (Non-Dulles Toll Road)	236	*(1.4)*	*-4.1%*	235
MWAA (Dulles Toll Road)	2,845	*(24.8)*	*-75.0%*	2,820
Total	$ 5,760			$ 5,760

Informational Items

- ***FY2016 Sequestration Rate for Build America Bonds (BABs).*** On August 5, 2015, the Internal Revenue Service announced that a sequestration reduction rate of 6.8 percent will be applied to the federal subsidy payments claimed by issuers of BABs in federal fiscal year 2016 that begins October 1, 2015 and ends September 30, 2016.

  The Airports Authority has issued $550 million of taxable BABs to fund the Rail Project. Semi-annual interest payments on those bonds total $20.924 million and are payable on April 1 and October 1 of each year. If Congress does not change the law, the federal subsidy for the April 2016 and October 2016 semi-annual interest payments will be reduced by $497,991.20 (6.8 percent of the anticipated 35 percent subsidy of $7,323,400).

  The sequestration reduction will not have a material effect on the Dulles Toll Road credit. The effective annual BABs subsidy as a percentage of the schedule debt service with the sequestration will be 32.62 percent instead of the anticipated 35 percent.

- ***Phase 1 Capital Reserve Account.*** In accordance with the Full Funding Grant Agreement (FFGA) with the Federal Transit Administration, the Airports Authority established a Capital Reserve Account (CAPRA) in the Phase 1 Construction Fund to supplement the contingency amounts in the Rail Project budget. Dulles Transit Partners (DTP), the Phase 1 Design Build Contractor, agreed to contribute up to $25 million to the CAPRA subject to certain terms and conditions.

In March 2009, $15 million was deposited into the CAPRA from funds DTP was entitled to receive from the Airports Authority upon issuance of the Full Notice to Proceed. In August 2015, as part of the close-out of the Phase 1 Design-Build Contract, the Airports Authority and DTP negotiated a settlement that enables the CAPRA to be closed and makes $5.865 million available to pay costs associated with Phase 1 of the Rail Project that were allocable to the Dulles Toll Road share.

- ***Commercial Paper Program Extension.*** The documentation associated with the extension of the existing $300 million Dulles Toll Road Second Senior Lien Commercial Paper (CP) Program was executed on July 29, 2015. The CP Program and the supporting bank facility were extended one year, to August 11, 2016, and the annual fee was reduced by 10 basis points.

<u>Relevant News Items</u>

- ***Transform I-66 Inside the Beltway Project.*** A second round of public information meetings for the proposed improvements to I-66 inside the Beltway are scheduled for October 2015. (October 5 in Fairfax, October 6 in Falls Church and October 7 in Arlington.)

- ***Dulles Greenway Operating Results.*** On August 27, 2015, Macquarie Atlas Roads, the entity that holds an estimated 50 percent economic interest in the ownership of the Dulles Greenway, reported that gross toll revenue for the six-month period from January through June 2015 was 7.4 percent higher than the same period last year. The increase reflects higher average daily traffic (an increase of approximately 4.3 percent) and the toll increase implemented on March 4, 2015. The current toll rate for 2-axle vehicles is $4.30 (a 10-cent increase) and the Congestion Management Toll (applicable only to weekday traffic in the peak period and direction) is $5.20 (a 10-cent increase).

  Reported operating expenses for the Dulles Greenway increased by 7.3 percent compared to the prior corresponding period due in part to an increase in electronic toll collection processing fees assessed by the Virginia Department of Transportation and higher property taxes.

  On September 2, 2015, Fitch Ratings affirmed its BB+ underlying credit rating on approximately $1 billion of Dulles Greenway Project Revenue Bonds. Credit positives cited by Fitch include the continued population growth and above-average income levels in Loudoun County, a flexible debt service repayment schedule, and regulatory approval for a series of annual toll increases through the year 2020.

- ***Express Lanes Operating Results.*** On July 10, 2015, Transurban, the private operator of the 495 Express Lanes and the 95 Express Lanes, released financial results for the fiscal year ended June 30, 2015.

The table below shows selected financial and operating statistics for each facility for the last quarter of the fiscal year.

EXPRESS LANES DATA -- JUNE QUARTER 2015	495 EXPRESS LANES	95 EXPRESS LANES
Average Dynamic Toll Charged	$3.92	$5.48
Average Trip Length	5.6 miles	12.5 miles
HOV-3+ and Exempt Vehicles (percentage of all Traffic)	13%	32%
Workday Bus Trips on the Lanes	21,705	38,443
Approximate Average Daily Trips	42,000	45,000
Approximate Average Workday Toll Revenue	$187,000	$209,000
Approximate Total Toll Revenue	$13M	$15M

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 September 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
Commercial Paper Series One	*Up to $300 Million*	*JP Morgan*	*65 bps*	*August 11, 2011*	*August 11, 2016*

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
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 September 1, 2015, is $156,317,308.

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

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of September 1, 2015, including accretion, is $2,160,400,873.[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.

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[3] The amount outstanding includes approximately $225 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.

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 9/1/2015	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	278,762,334	Second Senior	Tax-Exempt CABs	Baa1/ A2(Insured)	BBB+/ AA(Insured)	$188,266,435 Assured Guaranty
2009C	8/12/2009	158,234,960	233,067,550	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	77,241,569	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	192,949,262	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	207,736,584	208,620,157	Junior	Federal Loan	Baa2	BBB-	None
		$1,935,403,102	$2,160,400,873					

[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 9/1/2015	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	278,762,334	Second Senior	Tax-Exempt CABs	2012-2040	3.50% to 7.91%	Non-Callable
2009C	233,067,550	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	77,241,569	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	192,949,262	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	208,620,157	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$2,160,400,873					

[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.