



SEPTEMBER 2018
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

- ***Public Hearings for Proposed Dulles Toll Road Rate Adjustment.*** On June 20, 2018, the Dulles Corridor and Finance Committees authorized Airports Authority staff to conduct public hearings in the Dulles Corridor on a proposed amendment to the Airports Authority regulations that will, if approved, increase the rate for two-axle vehicles by \$0.75 at the DTR mainline plaza (from the current \$2.50 to \$3.25) and \$0.50 at the currently tolled entrance/exit ramps (from \$1.00 to \$1.50) effective January 1, 2019.¹ The Committees also authorized staff to solicit public comment on potential toll collection options and operational improvements to assist with ongoing planning efforts for the DTR.

A notice was published on June 25, 2018, with the time and location for three public hearings that were held on July 11, 17 and 19 in McLean, Reston and Ashburn, respectively. The notice also invited members of the public to submit written comments between July 2 and August 3 at the public hearings, on the Airports Authority's website, via e-mail and regular mail. Information about the public hearings and the public comment period was provided in print and digital banner advertisements in English and Spanish in local newspapers. Reminders were also

¹ Rates for multi-axle vehicles using the DTR would be set at levels equal to two times the rate for 2-axle vehicles, plus an additional charge per axle beyond two axles.

posted regularly to the Airports Authority's Twitter account and sent to the Airports Authority's customer and stakeholder email distribution lists.

A total of 52 individuals attended the three public hearings and a total of 190 comments were received during the public comment period. Management is preparing a report summarizing the submitted comments and is planning to present it to the Committees in October.

- ***FY2019 Sequestration Rate for Build America Bonds (BABs).*** On August 15, 2018, the Internal Revenue Service announced that a sequestration reduction rate of 6.2 percent will be applied to the federal subsidy payments claimed by issuers of BABs in federal fiscal year 2019 that begins October 1, 2018 and ends September 30, 2019. The current sequestration reduction rate for federal fiscal year 2018 is 6.6 percent.

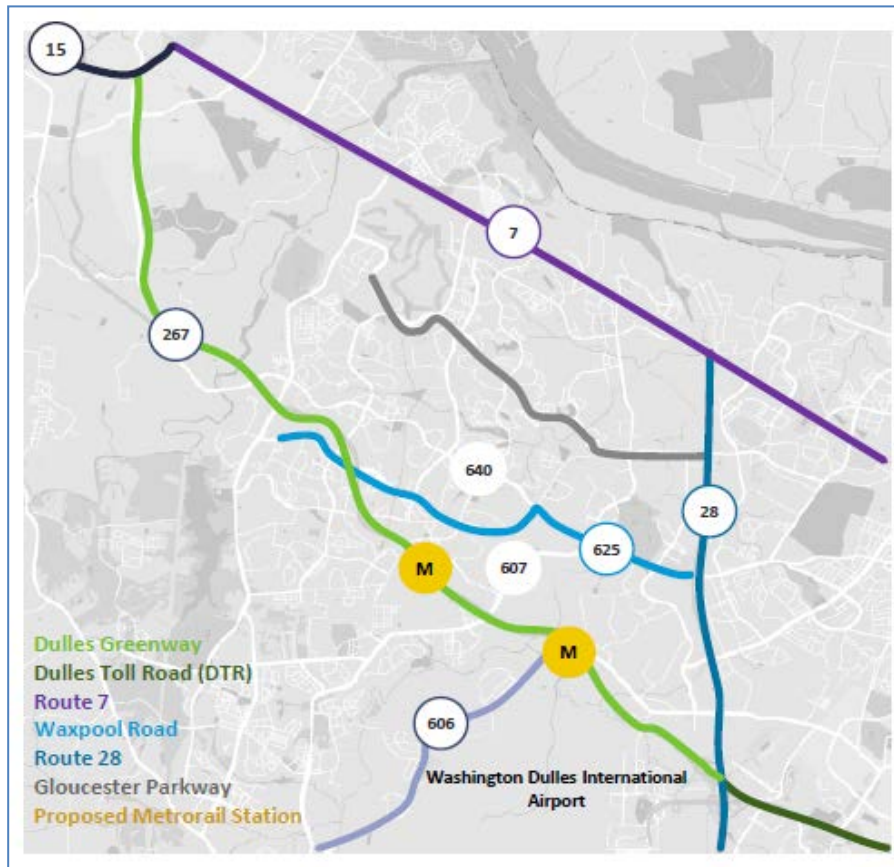
The Airports Authority has issued \$550 million of taxable BABs to fund the Rail Project. Semi-annual interest payments on those bonds total \$20.924 million and are payable on April 1 and October 1 of each year. If Congress does not change the law, the federal subsidy for the April 2019 and October 2019 semi-annual interest payments will be reduced by \$454,050.80 (6.2 percent of the stated 35 percent subsidy of \$7,323,400).

The sequestration reduction will not have a material effect on the DTR credit. The effective annual BABs' subsidy payment from the federal government as a percentage of the scheduled debt service after application of the sequestration reduction will be 32.83 percent instead of the stated 35 percent.

Relevant News Items

- ***Dulles Greenway Operating Results.*** On August 30, 2018, Atlas Arteria (ALX), formerly Macquarie Atlas Roads, released toll revenue and traffic statistics for the Dulles Greenway private toll concession for the quarter ending June 30, 2018.

Total revenue for the first half of 2018 was \$44.6 million, approximately 3.6 percent less than the same period last year. Average workday trips decreased by approximately 6.0 percent to 58,559 transactions. ALX cites upgrades to alternative routes, including removal of traffic signals along Route 7, weather events during the period and Metrorail construction at the eastern end of the Greenway as factors contributing to reductions in traffic.



Dulles Greenway and Alternative Routes in the Corridor

- **Express Lanes Operating Results.** On August 7, 2018, Transurban, the private operator of the 495 Express Lanes and the 95 Express Lanes, released traffic and revenue data for the quarter ending June 30, 2018.

The tables below show selected financial and operating statistics for each facility:

495 EXPRESS LANES	June Quarter 2018	June Quarter 2017
Average Dynamic Toll Charged	\$5.40	\$5.77
Approximate Average Workday Toll Revenue	\$294,000	\$341,000
Approximate Average Daily Trips (Thousands)	48	51
Approximate Total Toll Revenue for the Quarter	\$20 Million	\$23 Million

95 EXPRESS LANES	June Quarter 2018	June Quarter 2017
Average Dynamic Toll Charged	\$8.45	\$8.46
Approximate Average Workday Toll Revenue	\$365,000	\$353,000
Approximate Average Daily Trips (Thousands)	54	54
Approximate Total Toll Revenue for the Quarter	\$26 Million	\$25 Million

- ***I-66 Inside the Beltway Express Lanes Performance Review.*** In July 2018, Nick Donohue, Deputy Secretary of Transportation for the Commonwealth of Virginia, briefed the Northern Virginia Transportation Commission and the Commonwealth Transportation Board on operating data from the first six months of tolling the high occupancy vehicle (HOV) lanes on Interstate 66 between the Capital Beltway and Route 29 (Lee Highway) in Rosslyn.

On December 4, 2017, the Virginia Department of Transportation began tolling single-occupant vehicles (SOVs) on weekdays from 5:30 a.m. to 9:30 a.m. eastbound and 3:00 p.m. to 7:00 p.m. westbound. The toll rates for SOVs vary based on traffic volumes and travel times. Vehicles with two or more people (HOV2+) and vanpools can travel for free if they have an E-ZPass Flex transponder switched to HOV-mode. The lanes remain open to all users during off-peak periods and weekends.

The performance review includes data (before and after tolling began) on average travel speeds on I-66 and parallel arterials during peak periods, HOV usage and traffic incidents. The table below shows the average toll paid and HOV usage over the six month period:

Average Eastbound Toll Paid and HOV Usage

5:30-6:00	6:00-6:30	6:30-7:00	7:00-7:30	7:30-8:00	8:00-8:30	8:30-9:00	9:00-9:30
\$2.54	\$2.64	\$5.06	\$7.59	\$11.63	\$14.13	\$13.86	\$8.52
31.4%	34.7%	45.5%	56.5%	59.0%	56.8%	52.2%	38.1%

Average Westbound Toll Paid and HOV Usage

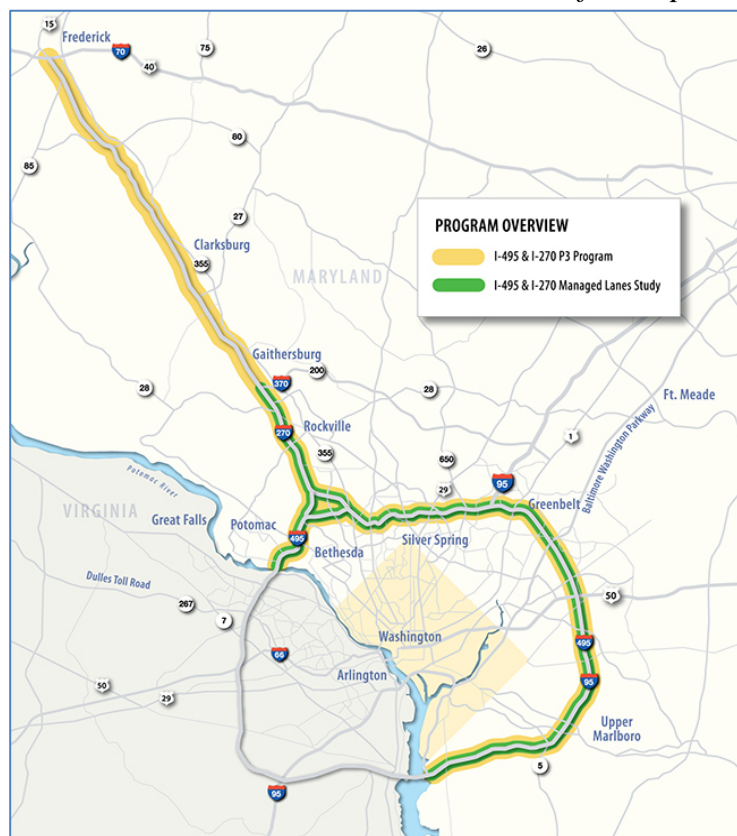
3:00-3:30	3:30-4:00	4:00-4:30	4:30-5:00	5:00-5:30	5:30-6:00	6:00-6:30	6:30-7:00
\$4.34	\$3.92	\$4.32	\$5.17	\$5.36	\$5.67	\$4.71	\$3.67
28.3%	31.2%	39.3%	43.3%	45.4%	45.1%	39.2%	30.3%

**Average Toll Rates and Usage Data from December 2017 to May 2018
Transform 66: Inside the Beltway 6 Month Performance Review**

- **Maryland I-495 & I-270 Public-Private Partnership (P3) Program.** On July 25, 2018, the Maryland Department of Transportation State Highway Administration (MDOT SHA) issued a request for proposals (RFP) for General Engineering Consultant Services for the I-495 & I-270 P3 Program. The selected consultant team will provide comprehensive engineering and support services for proposed managed toll lanes and other improvements to over 70 miles of interstate in Maryland including:
 - I-495 (Capital Beltway) from south of the American Legion Bridge over the Potomac River to east of the Woodrow Wilson Bridge and
 - I-270 (Dwight D. Eisenhower Memorial Highway) from I-495 to I-70, including the east and west I-270 spurs.

MDOT SHA has established the following high-level goals for the I-495 & I-270 P3 Program:

- No Net Cost to the State - *Fully develop system and be cost neutral to the State.*
- Congestion Relief - *Maximize vehicle through-put and travel efficiency in the corridor.*
- Minimize Impact - *To adjoining properties and resources.*
- Accelerated Delivery - *Optimized construction with the least amount of disruption to the traveling public.*
- Shockingly Innovative - *Approaches that open new ground.*



Scope of P3 Program and Initial Environmental Study

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, 2018, was \$59,000,000. The Airports Authority can draw an additional \$241,000,000 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 2018.²

2018 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 (JPM)	SIFMA	Spread
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%
2015	0.07%	0.03%	0.04%

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.

DULLES TOLL ROAD REVENUE BONDS

The total amount of outstanding Dulles Toll Road Revenue Bonds as of September 1, 2018, including accretion, is \$3,033,255,195.³ 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 ⁴	Dated Date	Originally Issued Par Amount	Outstanding as of 09/01/2018	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	308,087,963	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	93,922,212	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	233,767,151	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	931,900,882	977,942,869	Junior	Federal Loan	Baa2	A-	None
		<u>\$2,659,567,400</u>	<u>\$ 3,033,255,195</u>					

³ The amount outstanding includes approximately \$374 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 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 09/01/2018	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	308,087,963	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	93,922,212	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	233,767,151	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	977,942,869	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	<u>\$ 3,033,255,195</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.