MERCATOR ADVISORS LLC FRASCA & ASSOCIATES, LLC

SEPTEMBER 2017
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

- ***FY2018 Sequestration Rate for Build America Bonds (BABs).*** On August 2, 2017, the Internal Revenue Service announced that a sequestration reduction rate of 6.6 percent will be applied to the federal subsidy payments claimed by issuers of BABs in federal fiscal year 2018 that begins October 1, 2017 and ends September 30, 2018. The current sequestration reduction rate for federal fiscal year 2017 is 6.9 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 2018 and October 2018 semi-annual interest payments will be reduced by $483,344.40 (6.6 percent of the stated 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 payment from the federal government as a percentage of the scheduled debt service after application of the sequestration reduction will be 32.69 percent instead of the stated 35 percent.

- ***Dulles Toll Road Traffic and Revenue Study.*** On June 30, 2017, a task order was issued to CDM Smith Inc. to prepare an updated comprehensive traffic and revenue study for the Dulles Toll Road. The scope of work is comparable to the one undertaken for the "investment grade" study that supported the financing of Phase 2 of the Rail Project in 2014. In addition to examining traffic counts and travel speeds on the DTR and local roadways, the consultant will survey DTR customers to obtain data on how travelers in the corridor value their time and their preferences regarding toll collection options.

The updated traffic and revenue model that will be developed as part of the study will facilitate the analysis of future toll rate adjustments and new tolling policies that may be considered given the capabilities of the new DTR toll collection system that will be operational in 2019.

Relevant News Items

- ***Dulles Greenway Operating Results.*** On July 20, 2017, Macquarie Atlas Roads (MQA), the owner of the private toll concession for the Dulles Greenway, released toll revenue and traffic statistics for the quarter ending June 30, 2017.

  Average daily toll revenue for the quarter was $272,109, approximately 1.7 percent higher than the same period last year. Average daily traffic decreased by approximately 1.4 percent to 56,080 transactions. MQA cites a change in the timing for the spring break holiday for local schools and the widening of Route 28 as factors that impacted traffic in the June 2017 quarter. It expects ongoing construction in the corridor to “create some volatility in Dulles Greenway traffic over the next 24-26 months.”

- ***Express Lanes Operating Results.*** On August 8, 2017, 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, 2017.

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

495 EXPRESS LANES	June Quarter 2017	June Quarter 2016
Average Dynamic Toll Charged	$5.77	$4.41
Approximate Average Workday Toll Revenue	$341,000	$239,000
Approximate Average Daily Trips (Thousands)	51	43
Approximate Total Toll Revenue for the Quarter	$23 Million	$16 Million

95 EXPRESS LANES	June Quarter 2017	June Quarter 2016
Average Dynamic Toll Charged	$8.46	$6.72
Approximate Average Workday Toll Revenue	$353,000	$302,000
Approximate Average Daily Trips (Thousands)	54	50
Approximate Total Toll Revenue for the Quarter	$25 Million	$21 Million

- ***Maryland Purple Line Project.*** On August 28, 2017, Maryland Governor Larry Hogan and U.S. Transportation Secretary Elaine Chao participated in a ceremonial signing of a $900 million Full Funding Grant Agreement (FFGA) for the Maryland Purple Line Project. The 16.2-mile light rail line, which is expected to be completed in 2022, will connect numerous communities in Montgomery and Prince George's Counties. The project includes the construction of 21 stations, two vehicle and maintenance storage yards with shop facilities and the procurement of 25 articulated light-rail vehicles.

  The $900 million Federal grant and approximately $300 million of cash and in-kind contributions from Prince George's and Montgomery Counties and the University of Maryland will be used to pay a portion of the estimated $2.3 billion cost to develop and construct the Purple Line Project. The remaining amount has been financed by Purple Line Transit Partners (PLTP), the private consortium selected in March 2016 to design, build, finance, operate and maintain the project pursuant to a 36-year agreement with the Maryland Department of Transportation (MDOT) and the Maryland Transit Administration (MTA).

  The PLTP construction financing includes an $875 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, $313 million of tax-exempt private activity bonds issued by the Maryland Economic Development Corporation, and $138 million of private equity provided by Meridiam Infrastructure Purple Line, LLC, Fluor Enterprises Inc. and Star America Purple Line, LLC. The project debt and equity investments are secured by payments from MDOT and MTA to PLTP that will be made during construction and operation of the project. The payments to PLTP are subject to the ongoing performance of its obligations under the Public Private Partnership agreement and annual appropriation of funds to MDOT by the Maryland General Assembly.

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, 2017, was $209,000,000. The Airports Authority can draw an additional $91,000,000 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***	***69 bps***	***August 11, 2011***	***August 10, 2018***

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 2017.[1]

2017 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
August 2017	0.92%	0.81%	0.11%
July 2017	0.91%	0.82%	0.09%
June 2017	0.88%	0.84%	0.04%
May 2017	0.83%	0.80%	0.03%
April 2017	0.78%	0.75%	0.03%
March 2017	0.73%	0.68%	0.05%
February 2017	0.72%	0.65%	0.07%
January 2017	0.72%	0.62%	0.10%

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

Calendar Year	CP 1 JPM	SIFMA	Spread
2016	0.38%	0.41%	-0.03%
2015	0.07%	0.03%	0.04%

[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 September 1, 2017, including accretion, is $2,730,194,719.[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 09/01/2017	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	293,826,438	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	87,920,137	Second Senior	Tax-Exempt CABs	Baa1	BBB+	None
2010B	5/27/2010	137,801,650	219,100,183	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	687,359,246	709,812,962	Junior	Federal Loan	Baa2	A-	None
		$ 2,415,025,764	$ 2,730,194,719					

[2] The amount outstanding includes approximately $315 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 09/01/2017	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	293,826,438	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	87,920,137	Second Senior	Tax-Exempt CABs	2029-2037	6.625%	Non-Callable
2010B	219,100,183	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	709,812,962	Junior	Federal Loan	2023-2044	3.21%	Any Business Day at Par
	$ 2,730,194,719					

[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.

Refunding Opportunities

The Series 2009A First Senior Lien Current Interest Bonds can be refunded in advance of the 2019 call date. Under current market conditions, a hypothetical tax-exempt refinancing might generate approximately $16.5 million of net present value savings.

Series	***Callable Par/ Maturities***	***Coupon Range***	***Call Date***	***Call Premium***	***Net PV Savings***	***Negative Arbitrage***
2009A	$198,000,000 ('30-'44)	5.00% - 5.25%	10/01/19	0% (at par)	$16.5 mm 8.34%	$10.1 mm

The Financial Advisors do not recommend considering an advance refunding transaction at this time because of the significant negative arbitrage in the required refunding escrow. In addition, the potential annual debt service reductions that could be achieved by refinancing the Series 2009A Bonds are relatively small and would not impact projected debt service coverage ratios or projected DTR toll rates.

The Financial Advisors will continue to monitor relevant interest rates and the potential savings from a refinancing of the Series 2009A Bonds.