

**VDOT and Metropolitan Washington Airports Authority** 

Presentation to the

**Joint Commission on Transportation Accountability** 

July 16, 2012





### **Participants**

### **Virginia Department of Transportation**

Greg Whirley, Commissioner

John Lawson, Chief Financial Officer

### **Metropolitan Washington Airports Authority**

Andrew Rountree, VP Finance and Chief Financial Officer
Pat Nowakowski, Executive Director, Dulles Corridor Metrorail Project

<u>Financial Advisors</u>

Jim Taylor, Mercator Advisors

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### **Discussion Outline**

- I. VDOT's Questions Regarding Finance Plan VDOT (p.4)
- II. Background on the Airports Authority and Key Events in the Development of Dulles Rail *MWAA* (p.6)
- III. Dulles Corridor Financial Overview MWAA (p. 14)
- IV. Dulles Corridor Metrorail Project Construction Update MWAA (p.30)





## VDOT's Questions on Financing Dulles Metrorail

- VDOT questioned if MWAA was structuring the debt to be supported by Dulles Toll Road revenues in the most effective manner
- MWAA's pro-forma finance plan observations:
  - The revenue to debt service coverage ratio requirement generates excess revenues after O&M and debt service
  - At this time, the pro-forma plan does not outline the specific use of the excess revenues
  - A limited use of senior current interest bonds in favor of the use of higher cost subordinate bonds and capital appreciation bonds
- As discussed further in this material, MWAA has considered these issues as part of the financing plan for the project





### **Financing Dulles Metrorail**

- VDOT and MWAA discussed the questions and are in agreement
  - The pro-forma statements are intentionally conservative based on pure coverage ratios, intended for an investor audience
  - Excess revenues will be used to the extent possible for Corridor improvements, to mitigate toll increases and/or to repay debt
  - Liens will be managed to facilitate the best overall financing plan
- MWAA recognizes goal to minimize Dulles Toll Road toll increases
- The use of the revenues are appropriately outlined in the Permit and Operating Agreement for the Dulles Toll Road
- VDOT and MWAA, collaborating with the other funding partners, will strive to fund the Metrorail project in the most cost effective manner, minimizing toll increases through these and other opportunities





I. Background on the Airports Authority and Key Events in the Development of Dulles Rail



### **Metropolitan Washington Airports Authority**









- Created in 1986 with the consent of the United States Congress by Acts of the District of Columbia and the Virginia General Assembly
- Federal leasehold interest in the Airports and Dulles Access Right-of-Way runs to 2067
- Over \$6 billion in airports capital projects completed or near completion, such as the AeroTrain at Dulles International Airport, all primarily financed with revenue bonds
- Credit ratings for the airport system revenue bonds are in the "AA" category, placing the Airports Authority among the top 11% of all airport issuers



The Airports Authority's direct and indirect tax benefit to Virginia is estimated at over \$785 million annually



- Master Plan for Dulles International Airport recommends reserving the median of the Dulles International Airport Access Highway for a future transit line
- 1984 VDOT opens Dulles Toll Road on Airports land (under easements granted by Federal Government and others later given by the Airports Authority)
- 1990 The Commonwealth Transportation Board (CTB) directs that at least 15% of surplus net revenues from the Dulles Toll Road be used for transit related improvements in the Dulles Corridor
- 1996 Virginia Department of Rail and Public Transportation (DRPT) completes Major Investment Study for Dulles Corridor that identifies Metro-like rail to Route 772 in Loudoun County as the preferred alternative
- 2000 WMATA Board of Directors establishes policy that any Metrorail extension must by funded with local, state and federal funds

CTB allocates 85% of the net surplus revenues of the Dulles Toll Road to mass transportation initiatives in the Dulles Corridor





2002 Draft EIS is completed and CTB selects the Metrorail Alternative as the Locally Preferred Alternative (LPA) after extensive public review and comment

FTA suggests constructing the Dulles Corridor Metrorail Project in phases due to federal funding limitations

2004 CTB approves the revision to the LPA to incorporate elements required for phased construction and the design changes in the Supplemental Draft EIS

FTA approves DRPT request to enter Preliminary Engineering (PE) for Phase 1 to Wiehle Avenue

DRPT signs a Public-Private Transportation Act Comprehensive Agreement with Dulles Transit Partners LLC to engineer, design and construct the Rail Project

Final EIS is approved





2005 CTB votes to implement first toll increase on the Dulles Toll Road to generate revenue for the Rail Project

DRPT receives the Record of Decision from FTA which concludes the environmental review process

VDOT receives five PPTA proposals from private consortiums to operate the Dulles Toll Road

Airports Authority submits alternative "public-public" partnership proposal to guarantee that all DTR toll revenue is invested in transportation improvements within the Dulles Corridor

2006 MOU between Airports Authority and Commonwealth of Virginia leads to Master Transfer Agreement and Permit and Operating Agreement

Agreement to Fund Capital Costs of Metrorail among Loudoun, Fairfax, and Airports Authority is signed (with 90-day review period for Phase 2)





2008 DTR transferred to the Airports Authority (Permit and Operating Agreement)

Full Funding Grant Agreement is signed awarding \$900 million to the Airports Authority for Phase 1

Airports Authority sets DTR toll rates for 2010, 2011, and 2012 after consultation with Dulles Corridor Advisory Committee and public forums

Airports Authority commissions first investment grade traffic and revenue study by Wilbur Smith (VDOT's former DTR consultant), establishes the toll road credit (separate and distinct from airports system), and issues first Toll Road Revenue Bonds (\$963 million)

Authority commissions update to 2009 traffic and revenue study, and issues second series of Dulles Toll Road Revenue Bonds (\$343 million)





- 2011 Memorandum of Agreement among US DOT, Virginia, Fairfax, Loudoun, WMATA, and the Airports Authority sets forth mutual understandings and commitments for Phase 2
- 2012 Airports Authority completes Preliminary Engineering on Phase 2

Fairfax and Loudoun Opt-in for Phase 2

New investment grade traffic and revenue *draft* study is completed in anticipation of 2012 toll setting process and next bond issue

MWAA Issues RFQI for Phase 2



# Airports Authority's Responsibilities Under the Permit and Operating Agreement

- Operate, maintain, and improve the Dulles Toll Road for a 50-year term
- Segregate toll revenues from other MWAA revenues
- Design, build, and participate in financing the Metrorail Project
- Design, build, and finance the other capital improvements to the Dulles Corridor with VDOT and regional plan approval
- In order to generate required revenue to meet responsibilities set forth above, set toll rates after public consultation

The Airports Authority is fully committed to financing and constructing the Rail Project in a fiscally responsible manner that minimizes required toll rate increases





### II. Dulles Corridor Financial Overview

- Allocation of Dulles Metrorail Project Costs
- Status of Dulles Rail Financing Effort
- Current and Future Debt Issuance
- Opportunities to Reduce Toll Rates





**Excluding Route 28 Station and Phase 2 Parking Garages** 

| SOURCES OF CAPITAL FUNDS |  | PHASE 1   |    | PHASE 2   |    | TOTAL PROJ | ECT        |  |  |  |  |
|--------------------------|--|-----------|----|-----------|----|------------|------------|--|--|--|--|
| (Thousands YOE Dollars)  |  | Total     |    | Total     |    | Total      | % of Total |  |  |  |  |
| Federal                  | \$   | 900,000   | \$ | -         | \$ | 900,000    | 16.1%      |  |  |  |  |
| Commonwealth of Virginia |  | 251,700   |    | 23,300    | \$ | 275,000    | 4.9%       |  |  |  |  |
| Fairfax County           |  | 400,000   |    | 500,746   |    | 900,746    | 16.1%      |  |  |  |  |
| Loudoun County           |  | -         |    | 268,545   |    | 268,545    | 4.8%       |  |  |  |  |
| MWAA (Aviation Funds)    |  | -         |    | 229,383   |    | 229,383    | 4.1%       |  |  |  |  |
| MWAA (Dulles Toll Road)  | \$   | 1,353,995 | \$ | 1,667,026 | \$ | 3,021,021  | 54.0%      |  |  |  |  |
| TOTAL SOURCES OF FUNDS   | \$   | 2,905,695 | \$ | 2,689,000 | \$ | 5,594,695  | 100.0%     |  |  |  |  |
|                          | Contribution is fixed amount     Contribution is fixed percentage of total cost     Contribution is not fixed - amount and percentage of total cost can change |           |    |           |    |            |            |  |  |  |  |

- Allocation based on 100% Preliminary Engineering Estimate for Phase 2. Assumes Fairfax secures \$236 million for the Route 28 station and two parking garages and Loudoun secures \$168 million for three parking garages. If the \$2.831 billion Independent Cost Estimate with higher assumed escalation is used, the Loudoun contribution is \$275 million.
- Allocation assumes the \$150 million to be provided by the Commonwealth of Virginia for Phase 2 will be used to pay interest on Dulles Toll Road revenue bonds, not direct project costs.



With Route 28 Station and Phase 2 Parking Garages

| SOURCES OF CAPITAL FUNDS |  | PHASE 1   |    | PHASE 2   | TOTAL PROJECT |            |        |  |  |  |  |
|--------------------------|--|-----------|----|-----------|---------------|------------|--------|--|--|--|--|
| (Thousands YOE Dollars)  |  | Total     |    | Total     |               | % of Total |        |  |  |  |  |
| Federal                  | \$   | 900,000   | \$ | -         | \$            | 900,000    | 15.0%  |  |  |  |  |
| Commonwealth of Virginia |  | 251,700   |    | 23,300    | \$            | 275,000    | 4.6%   |  |  |  |  |
| Fairfax County           |  | 400,000   |    | 565,790   |               | 965,790    | 16.1%  |  |  |  |  |
| Loudoun County           |  | -         |    | 287,937   |               | 287,937    | 4.8%   |  |  |  |  |
| MWAA (Aviation Funds)    |  | -         |    | 245,947   |               | 245,947    | 4.1%   |  |  |  |  |
| MWAA (Dulles Toll Road)  | \$   | 1,353,995 | \$ | 1,970,026 | \$            | 3,324,021  | 55.4%  |  |  |  |  |
| TOTAL SOURCES OF FUNDS   | \$   | 2,905,695 | \$ | 3,093,000 | \$            | 5,998,695  | 100.0% |  |  |  |  |
| =                        | Contribution is fixed amount     Contribution is fixed percentage of total cost     Contribution is not fixed - amount and percentage of total cost can change |           |    |           |               |            |        |  |  |  |  |

- Allocation based on 100% Preliminary Engineering Estimate for Phase 2. Assumes the Counties are not successful in securing \$404 million of funding for the Route 28 station and five parking garages. If the \$2.831 billion Independent Cost Estimate with higher assumed escalation is used, the Loudoun contribution is \$295 million.
- Allocation assumes the \$150 million to be provided by the Commonwealth of Virginia for Phase 2 will be used to pay interest on Dulles Toll Road revenue bonds, not direct project costs.



### **Dulles Rail Financing Status**

- Over \$1.3 billion of Dulles Toll Road revenue bonds issued (2009 through 2010)
   with an overall cost of capital at 6.073 percent
- \$100 million of bond proceeds allocated to capital improvements in the Dulles Corridor such as eastbound Dulles Access Road/Interstate 495 interchange ramps, and replacement of existing sound walls and new sound walls
- Fairfax County has issued over \$205 million of Transportation District Improvement Revenue Bonds for Phase 1
- Over \$515 million of the \$900 million of federal transit funding for Phase 1 has been appropriated by Congress
- \$300 million short-term line of credit (commercial paper program) provides market-access flexibility in financing Phase 1 and 2 expenditures



### Financing Status, continued

Award winning Finance Plan in cooperation with funding partners, their financial advisors, and a nationally recognized team of consultants, attorneys and advisors.

2009 Bond Buyer "Deal of the Year"

2010 Government Finance Officers Association "Award for Excellence in Capital Financing and Debt Administration"

2010 International Bridge, Tunnel and Turnpike Association "Toll Excellence Award" for Dulles Corridor Initiative

#### **Current Dulles Corridor Enterprise Underwriting Syndicate**

- Bank of America/Merrill Lynch
- BB&T Capital Markets
- Fidelity Capital Markets
- Goldman Sachs & Co.
- Janney Montgomery Scott LLC
- J.P. Morgan Securities
   LLC

- Loop Capital Markets LLC
- Morgan Stanley & Co. LLC
- Piper Jaffray & Co.
- RBC Capital Markets, LLC
- Siebert Brandford and Shank

### **Airports Authority Financial Advisors**

Mercator •
Advisors
LLC

Frasca and Associates, L.L.C.

#### **Bond Counsel**

Nixon Peabody LLP

### Traffic and Revenue Consultant

**CDM Smith** 



### **Outstanding DTR Revenue Bonds**

|                |                       |                                   |             | \$Millions  |         |
|----------------|-----------------------|-----------------------------------|-------------|-------------|---------|
|                | <b>Credit Ratings</b> | Type of Debt                      | Series 2009 | Series 2010 | TOTAL   |
| First Senior   | A2 / A                | Current Interest Bonds            | \$198       | -           | \$198   |
| Second Senior  | Baa1 / BBB+           | Build America Bonds               | \$400       | -           | \$400   |
|                |                       | Capital Appreciation Bonds (CABs) | \$207       | \$55        | \$262   |
|                |                       | Convertible CABs                  | \$158       | \$138       | \$296   |
| Subordinate    | Baa2 / BBB            | Build America Bonds               | -           | \$150       | \$150   |
| Junior / TIFIA | Not Applied For       | To Be Determined                  |             | -           | \$0     |
|                |                       |                                   | \$963       | \$343       | \$1,306 |

Turnpike

Authority

Mid Bay Bridge

E-470 Highway

- DTR credit ratings are "investment grade"
- Flexible, multiple lien structure facilitates market access
- Debt capacity will be reserved at the first senior lien for critical, unanticipated Toll Road improvements

#### **RRR Category Ratings are Common for Toll Roads**

| BBB Category Rating                                   | s are common for four Roads                  |
|---|--|
| Senior Liens  | 2nd Liens                                    |
| in BBB Category:                                      | in BBB Category:                             |
| <ul> <li>Texas Turnpike</li> <li>Authority</li> </ul> | <ul> <li>Maine Turnpike Authority</li> </ul> |
| <ul> <li>North Carolina</li> </ul>                    | <ul> <li>North Texas Turnpike</li> </ul>     |

Del. River Port Authority

**Transportation Authority** 

Authority

South Jersey



### **Future DTR Debt Issuance**

- Excluding additional sources, <u>approximately \$2 billion</u> of additional toll revenue bonds (including TIFIA loans, to the extent awarded) may be issued over the next five to six years\*
- The size and timing of future bond issues will depend on market conditions, cash flow needs, continuously updated traffic and revenue projections, and interest rates

The Dulles Toll Road Series 2009 and 2010 Bonds were in strong demand

62 Institutional Investors placed orders for the Toll Road Second Senior Lien 2009 and 2010 Bonds, rated Baa1/BBB+

<sup>\*</sup> Preliminary estimate; subject to change. Does not include required reserves and issuance costs.

# Plan of Finance is appropriately conservative and continuously refined

- Interest rate assumptions are higher than prevailing rates
- Future debt refinancing, restructurings, defeasances and use of excess net revenues are not assumed
- Additional "cushion" is factored in above required debt service coverage amounts
- Senior lien is principally reserved for future DCE improvements and is deliberately size-constrained to protect credit ratings on all liens
- Plan of finance is not immutable; it has been and will continue to be modified as inputs and assumptions change



#### Flow of Toll Road Revenue **First Senior Lien Subordinate Lien Capital Improvements Revenue Fund Bond Fund DSRF** Fund **First Senior Lien Junior Lien O&M Account Metrorail Project Fund DSRF Bond Fund Latent Defects Second Senior Lien O&M** Reserve Account **Arbitrage Rebate Fund Bond Fund** Reserve Fund Renewal and **Second Senior Lien Transit Operations Emergency O&M** Replacement Reserve Reserve Account **DSRF** Fund Fund **Dulles Corridor Extraordinary Subordinate Lien Remaining Toll Road** Enterprise Reserve and Maintenance & **Bond Fund Revenue Fund Toll Rate Stabilization Repair Fund** Fund

= Accounts pledged to bondholders

<sup>\*</sup> Revenues deposited into Debt Service Funds on 1/6th 1/12th Basis

<sup>=</sup> Accounts NOT pledged to bondholders



### **Opportunities to Reduce Toll Rates**

MWAA and VDOT are in agreement to continually pursue any idea or strategy that may reduce required DTR toll rate increases, including:

- Securing additional TIFIA credit assistance
- Using net available toll revenue to redeem debt or mitigate tolls
- Securing additional grant funding as available
- Using senior lien for limited additional debt (not to jeopardize credit ratings)
- Minimizing use of capital appreciation bonds and non-callable bonds if possible
- Actively pursuing debt refinancing, early repayment of debt, and re-structuring opportunities that facilitate reduction or stabilization of tolls



The Airports Authority, the Commonwealth and other Funding Partners will continue to work together to evaluate and implement these opportunities



### 2012 Traffic & Revenue Study Update

- CDM Smith conducted a significant amount of data collection, research, and analysis, incorporating the following in the 2012 T&R Study:
  - Latest release of Metropolitan Washington Council of Governments (MWCOG) regional travel demand model, including refined models for HOT Lanes and transit and new state and local transportation improvement plans
  - Independent review of socioeconomic growth assumptions by Renaissance Planning Group, including 2010 Census data
  - Revised trip information, reflective of latest socioeconomic assumptions
  - New traffic counts, confirmation of travel speeds, and customer surveys
  - Construction impacts on traffic



### Purpose of the Updated Toll Revenue Estimates

- The 2012 Traffic and Revenue (T&R) projections provide assurance that, based upon operating and debt service requirements to, sufficient net toll revenue can be generated with the pro-forma toll rate schedule to finance Rail Project costs that may be allocated to the Dulles Toll Road
- The pro-forma toll rate schedule provides an indication of the level of toll rates that *might* be needed in the future based on what is known today
- The Board of the Airports Authority will establish actual toll rates based upon actual requirements to finance Rail Project and in consultation with the Dulles Corridor Advisory Committee
- Pro-forma Toll rate projections are used for financial planning purposes and will continuously be updated in the future based upon updated and future traffic and revenue studies

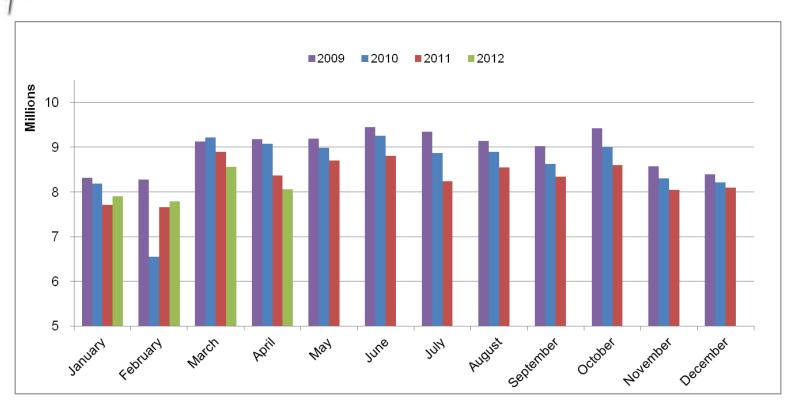




- Prior DTR revenue forecasts included in the 2009 T&R Study and 2010 T&R
   Study Update were fairly accurate, given economic downturn
  - Actual 2009 revenue was 99.6% of the 2009 forecast
  - Actual 2010 revenue was 102.0% of 2010 forecast
  - Actual 2011 revenue was 97.5% of 2010 forecast
- Population and employment growth in the service area for the DTR through 2028 will be slightly less than levels forecasted in 2009, but by 2030, may exceed the previous forecast
  - This results in lower levels of projected toll revenue in early years and higher levels of toll revenue beyond 2030

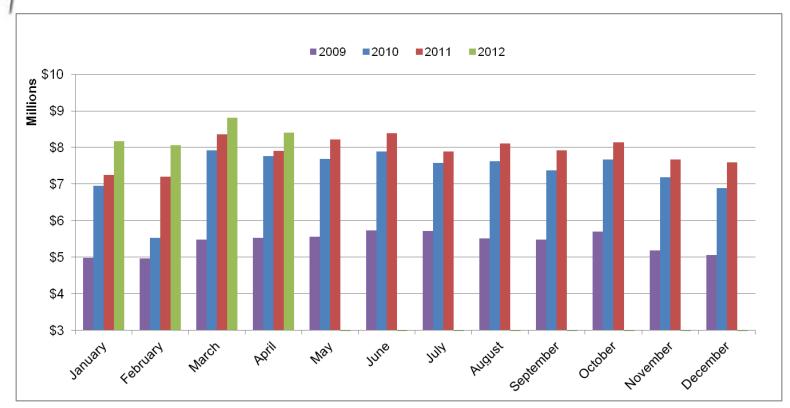


### **DTR Toll Transactions**



|                    | JAN   | FEB    | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   | Total  | T&R FC* | Act. % of FC |
|--------------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|---------|--------------|
| 2012               | 7.91  | 7.78   | 8.56  | 8.06  |       |       |       |       |       |       |       |       | 32.31  | 103.39  |              |
| % change over 2011 | 2.6%  | 1.6%   | -3.8% | -3.6% |       |       |       |       |       |       |       |       |        |         |              |
| 2011               | 7.70  | 7.66   | 8.90  | 8.36  | 8.70  | 8.81  | 8.23  | 8.55  | 8.35  | 8.59  | 8.05  | 8.10  | 100.00 | 103.29  | 96.8%        |
| % change over 2010 | -5.8% | 16.9%  | -3.5% | -7.9% | -3.2% | -4.8% | -7.1% | -3.9% | -3.2% | -4.6% | -3.1% | -1.4% | -3.1%  |         |              |
| 2010               | 8.18  | 6.55   | 9.22  | 9.08  | 8.99  | 9.25  | 8.86  | 8.90  | 8.62  | 9.01  | 8.31  | 8.21  | 103.18 | 101.88  | 101.3%       |
| % change over 2009 | -1.6% | -20.9% | 1.0%  | -1.1% | -2.3% | -2.1% | -5.2% | -2.7% | -4.5% | -4.5% | -3.2% | -2.2% | -4.0%  |         |              |
| 2009               | 8.31  | 8.28   | 9.13  | 9.18  | 9.19  | 9.45  | 9.35  | 9.14  | 9.03  | 9.43  | 8.58  | 8.39  | 107.46 |         |              |

### **DTR Toll Revenue**



|                    | JAN   | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   | Total | T&R FC* | Act. % of FC |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|--------------|
| 2012               | 8.18  | 8.05  | 8.82  | 8.40  | -     | -     | -     | -     | -     | -     | -     | -     | 33.45 | 107.10  |              |
| % change over 2011 | 12.8% | 11.8% | 5.5%  | 6.3%  |       |       |       |       |       |       |       |       |       |         |              |
| 2011               | 7.25  | 7.21  | 8.36  | 7.90  | 8.22  | 8.40  | 7.90  | 8.11  | 7.92  | 8.15  | 7.67  | 7.59  | 94.66 | 97.13   | 97.5%        |
| % change over 2010 | 4.5%  | 30.4% | 5.4%  | 1.8%  | 7.0%  | 6.5%  | 4.2%  | 6.5%  | 7.4%  | 6.2%  | 6.6%  | 10.2% | 7.5%  |         |              |
| 2010               | 6.94  | 5.53  | 7.93  | 7.76  | 7.68  | 7.88  | 7.58  | 7.62  | 7.37  | 7.67  | 7.19  | 6.89  | 88.04 | 86.28   | 102.0%       |
| % change over 2009 | 39.3% | 11.3% | 44.6% | 40.4% | 38.2% | 37.5% | 32.7% | 38.0% | 34.5% | 34.7% | 38.7% | 36.2% | 35.7% |         |              |
| 2009               | 4.99  | 4.97  | 5.48  | 5.53  | 5.56  | 5.73  | 5.71  | 5.52  | 5.48  | 5.70  | 5.18  | 5.05  | 64.89 |         |              |



### **Summary of Financial Overview**

The finance plan developed for Dulles Metrorail and other Dulles Corridor improvements has proven effective

The Airports Authority is ready to finance Phase 2 and will work closely with the Funding Partners to minimize required toll rate increases

The Airports Authority is pleased to offer a Project Construction Update at this time





### **III.** Dulles Rail Construction Update

