

Capital Beltway HOT Lane PPTA Proposal

Financial Evaluation

May 20, 2004

Financing

1. Did the proposer demonstrate evidence of its ability and commitment to provide sufficient equity in the project as well as the ability to obtain the other necessary financing?
2. **Financial Plan**
Does the financial plan demonstrate a reasonable basis for funding project development and operations? Are the assumptions on which the plan is based well defined and reasonable in nature? Are the plan's risk factors identified and dealt with sufficiently? Are the planned sources of funding and financing realistic? Does the proposer make a financial contribution to the project?
3. **Estimated Cost**
Is the estimated cost of the facility reasonable in relation to the cost of similar projects? A significant portion of the final determination will rely on a cost/benefit analysis.

Evaluation Summary

- Reviewed conceptual and detailed proposal financial plan
- Reviewed and met with Fluor on their April 26, 2004 response
- Reviewed April 29, 2004 VDOT Suggested Reconfiguration
- Received from Fluor on May 10, 2004 a cash flow for the construction of the project as proposed
- Reviewed May 18, 2004 Ronald Kirby's Sketch Level Assessment

As proposed and with its embedded financial assumptions, the proposal is financial balanced through construction (sources equal uses)

Capital Beltway HOT Lane Financial Assumptions with First Year Tolls - As Proposed

<u>Sources</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>TOTAL</u>
Available Balance	\$0.0	\$605.8	\$404.5	\$185.1	\$48.3	
63-20 Bonds	\$450.9					\$450.9
TIFIA Loan (bonds)	\$246.4					\$246.4
Public Sector Investment	\$91.1					\$91.1
Investment Earnings	\$20.6	\$18.4	\$11.9	\$5.9	\$1.5	\$58.3
Toll Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total New Sources	\$809.0	\$18.4	\$11.9	\$5.9	\$1.5	\$846.7
<u>Uses</u>						
Project Costs	\$127.1	\$200.3	\$211.9	\$123.3	\$30.8	\$693.4
63-20 Bonds Debt Service Payment	9.7	19.4	19.4	19.4	19.4	\$87.3
TIFIA Loan repayment	-	-	-	-	-	\$0.0
Development Cost Reimbursement	10.0	-	-	-	-	\$10.0
Bond Issuance Costs	11.3	-	-	-	-	\$11.3
Debt Service Reserve Fund	45.1					\$45.1
Toll Collection and Enforcement	-	-	-	-	\$0.0	\$0.0
Total Uses	\$203.2	\$219.7	\$231.3	\$142.7	\$50.2	\$847.1
Available for Spending in Next Fiscal Year	\$605.8	\$404.5	\$185.1	\$48.3	(\$0.4)	

However, if you assume that the traffic assumptions and resulting revenues are accurate, there are still three concerns: 1) \$91.1 million in public (including federal) funding is not available nor could it be deposited into a third party account which means interest is lost; 2) toll revenue collection estimate is assuming no ramp up period; and 3) the cost of the project.

When you adjust for these three factors as they have been provided, the project has a funding gap of at least \$200 million by FY 10.

Capital Beltway HOT Lane Financial Assumptions with First Year Tolls - As Proposed						
<u>Sources</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>TOTAL</u>
Available Balance	\$0.0	\$492.3	\$257.2	\$2.4	(\$154.6)	
63-20 Bonds	\$450.9					\$450.9
TIFIA Loan (bonds)	\$246.4					\$246.4
Public Sector Investment	\$0.0					\$0.0
Investment Earnings	\$18.4	\$17.0	\$11.3	\$5.8	\$1.5	\$54.0
Total New Sources	\$715.7	\$17.0	\$11.3	\$5.8	\$1.5	\$751.3
 <u>Uses</u>						
Project Costs	\$147.3	\$232.8	\$246.6	\$143.5	\$35.3	\$805.4
63-20 Bonds Debt Service Payment	9.7	19.4	19.4	19.4	19.4	\$87.3
TIFIA Loan repayment	-	-	-	-	-	\$0.0
Development Cost Reimbursement	10.0	-	-	-	-	\$10.0
Bond Issuance Costs	11.3	-	-	-	-	\$11.3
Debt Service Reserve Fund	45.1	-	-	-	-	\$45.1
Toll Collection and Enforcement	-	-	-	-	\$0.0	\$0.0
Total Uses	\$223.4	\$252.2	\$266.0	\$162.9	\$54.7	\$959.1
 Available for Spending in Next Fiscal Year	 \$492.3	 \$257.2	 \$2.4	 (\$154.6)	 (\$207.8)	

Today, no public sector funding is available. Toll revenue ramp up in Vollmer's analysis will occur over 4 years. In the first year (FY 10), 56% of the toll revenue will be collected. Project costs will be at least \$112 more based on the reconfiguration.

Traffic and Revenue

There continues to be a need for significantly more detailed traffic and revenue analysis. From a financial perspective, there is more negative risk at this time from information learned over the last several weeks.

Fluor has stated that 1,700 vehicles per hour is the optimal throughput on a HOT lane. The sketch level assessment confirms the April 29th reconfiguration that about half of the HOT lane capacity could be used by HOV-3 vehicles, which will use the facility for free.

The sketch analysis confirms that the majority of paying customers uses the Beltway for relatively short distances and whether a customer would pay a minimum of 50 cents for an estimated 2.5 minute time savings is unknown.

The sketch analysis also outlines a significant assumption that must be addressed by the Commonwealth in its transportation leadership role. TPB's Version 2.1C model, which is the approved federal traffic model for the region, assumes that by 2015 all HOV facilities in the Washington region will be HOV 3. The Dulles Toll Road and I-66 are currently HOV 2 while I-95 is HOV 3. There is no seamless connectivity between these facilities, a point we heard from the public at our last meeting. Creating that seamless connectivity will require resources.

Risk

The extent of the proposer's risk to date is any money they have spent thus far. That is the only investment they have proposed making that may not be a recoverable cost.

Toll revenues falling short is **not** the proposer's risk – it is the bondholder's risk and/or the user of the facilities risk.