JUNE 12, 2009

METROPOLITAN TRANSPORTATION COMMISSION

Regional Express Lane Network

PRESENTATION TO PLANNING COMMITTEE

PROJECT DISCUSSION
Bay Area Network

Proven corridor/system management tool

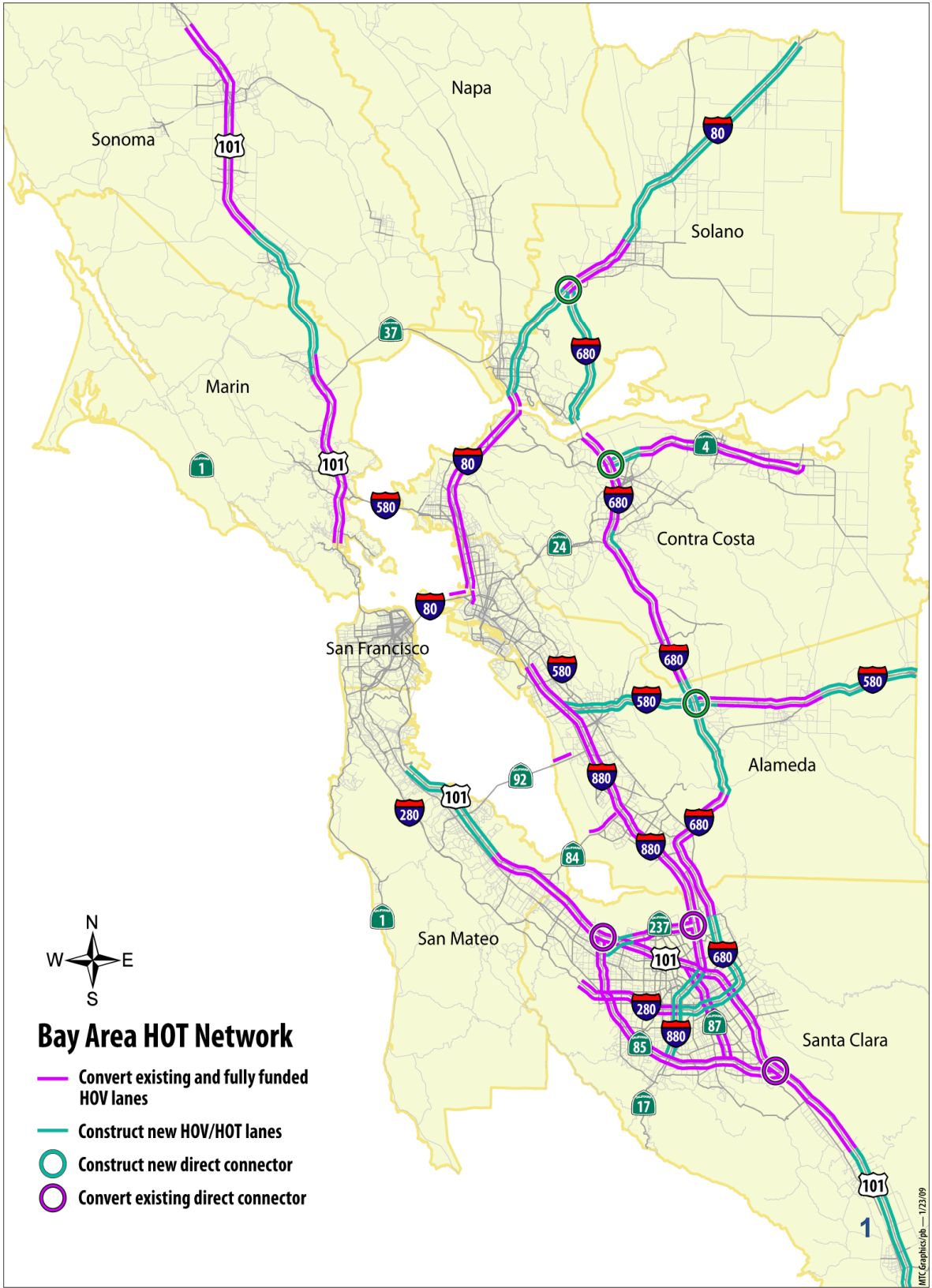
Introduces pricing concept

500 miles conversion (63%)

- 400 existing
- 100 fully funded

300 miles new lanes (37%)

- 60% are “gap closures”
- 5% increase in freeway mileage



Phased Approach

Phase 1

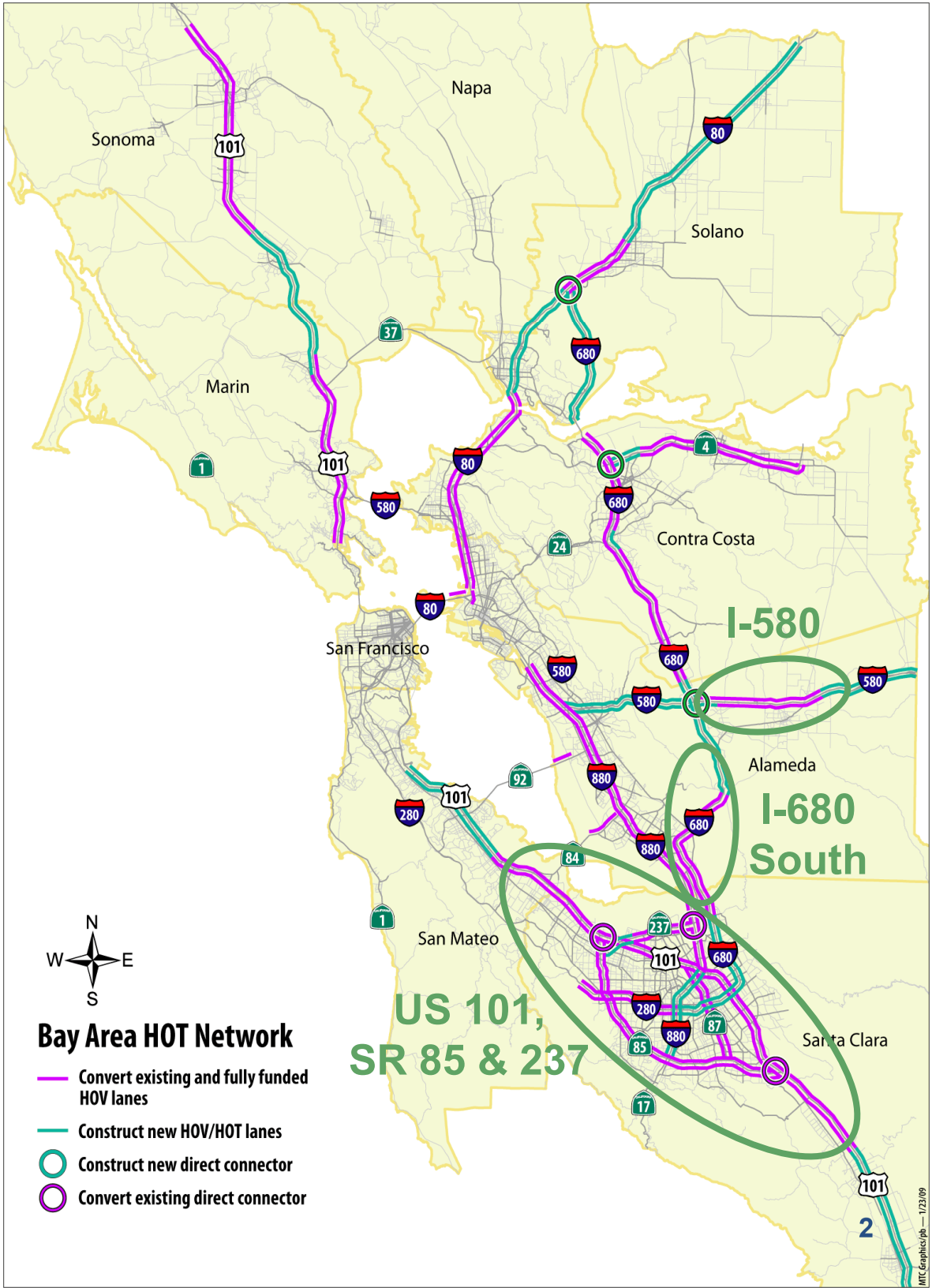
- Existing projects in development (see circled routes)

Phase 2

- Easier conversion projects
- Build off of Phase 1
- Integrate with current HOV projects

Extremely constrained areas developed later

- I-80 inner East Bay
- 680/24 interchange



Current Activities

Management - monthly collaboration with CMAs, Caltrans and CHP to advance network implementation

Operations – developing concept of operations for initial Express Lanes

Legislation – coalition building on AB 744

Outreach and education – continue to brief local stakeholders

Financing – banker analysis of regional approach presented to CMAs earlier this year

Legislative Framework - AB 744

- Grants BATA authority to acquire, administer, and operate the Regional Express Lane Network
- BATA as financier is responsible to the bondholders
  - develop investment grade cost and revenue forecasts for bonding purposes
  - develop regional network phasing plan to guide implementation
- A regional steering committee (BAYPOC) comprised of CMAs, Caltrans, CHP and BATA to advise BATA board
- Corridor Working Groups will develop Corridor Improvement Plans (CIP) to recommend to BAYPOC:
  - Occupancy and tolling policies
  - Corridor phasing
  - Use of corridor net revenues

Financial Analysis

DISCLAIMER:

- *The analysis and results presented herein are preliminary, and subject to change*
  - *Revenue projections are currently based on planning forecasts only and would need review and affirmation by an investment grade traffic & revenue study*
  - *Capital market parameters used are indicative only*

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Overview: A Regional Enterprise approach funds all projects at a lower cost of funds and generates incremental excess revenues sooner (versus a start up, stand-alone corridor approach)

- The MTC finance team incorporated revenue projections provided by the MTC consultant and analyzed the financial feasibility of funding the Express Lane projects within all corridors, both on a stand-alone basis, and as a regional enterprise (with credit/cash flow support from BATA)

- Under any revenue scenario, each corridor provides greater funding capacity as part of a regional enterprise than on a stand-alone (project finance) basis
  - Start-up, stand-alone projects have inherent credit risk, require external enhancements, and have limitations that reduce funding capacity and timely access to residual revenues
  - A regional enterprise approach is well positioned to deliver the projects and provides earlier access to residual revenues from each corridor
    - Eliminates start up, stand-alone project funding issues due to the strength of the BATA enterprise backstop

Revenue Scenarios Considered

	Planned 3+ HOV Conversion	*Accelerated 3+ HOV Conversion*
Max Time Savings	Scenario 1	Scenario 2
Max Revenue	Scenario 3	Scenario 4

- Max Time Savings: would maximize travel time savings by all vehicles in Express Lanes and general purpose lanes
- Max Revenue: would maximize the toll revenues on the Express Lanes
- Planned 3+ HOV Conversion: represents conversion to 3+ HOV upon reaching traffic capacity threshold
- Accelerated 3+ HOV Conversion: represents conversion to 3+ HOV upon completion of construction

- Each scenario represents a combination of varied toll levels and tolled user base
  - the ultimate scenario chosen will balance operational reality and financing needs
- Scenarios demonstrate the proof-of-concept that a regional enterprise enhances the benefits available to all corridors vs. a series of start-up, stand-alone corridor project financings
- The advantages of a regional enterprise are true for any scenario

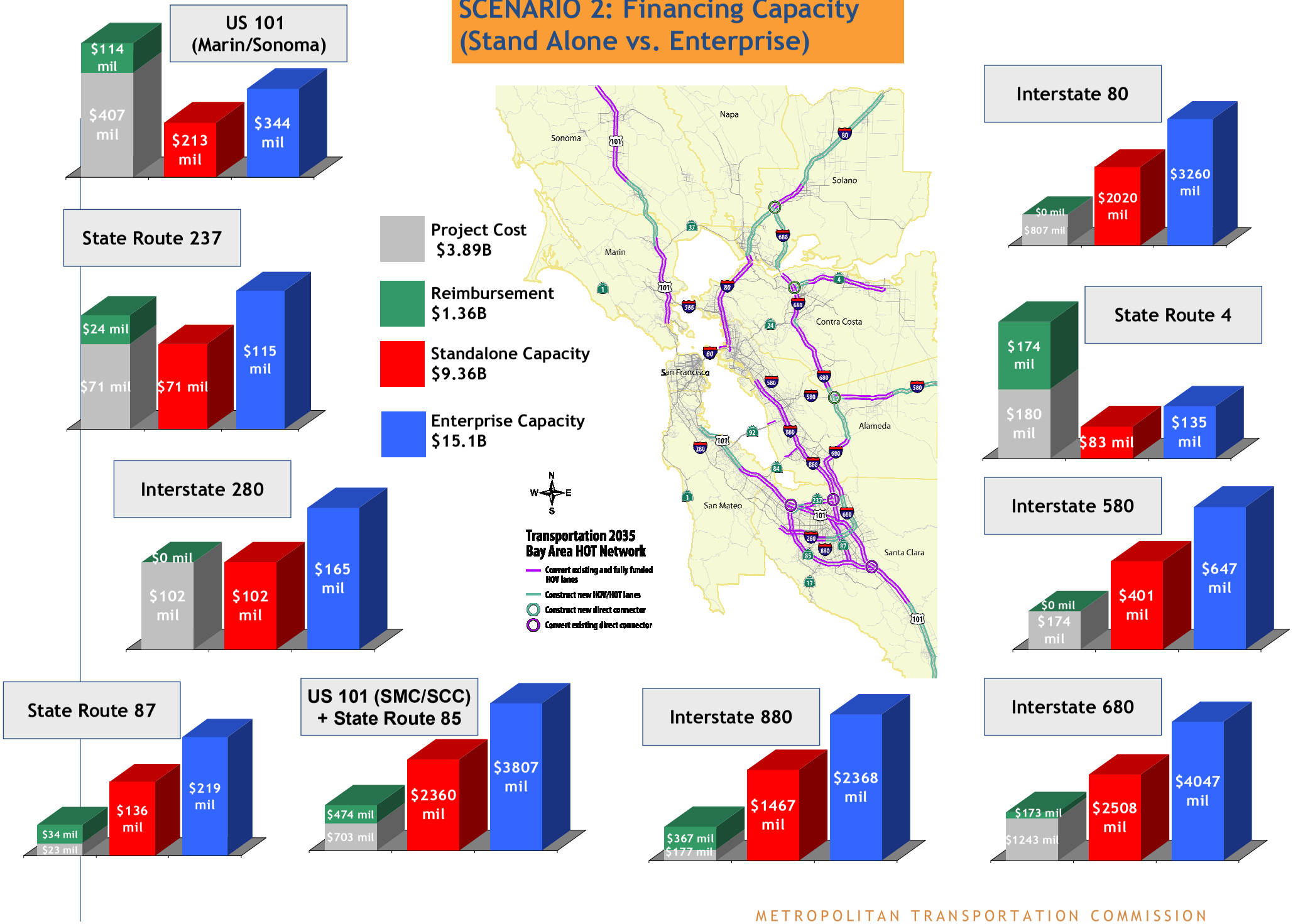
Express Lanes Network Financing Feasibility

- In each tolling scenario the Regional Enterprise approach can finance a greater number of corridors

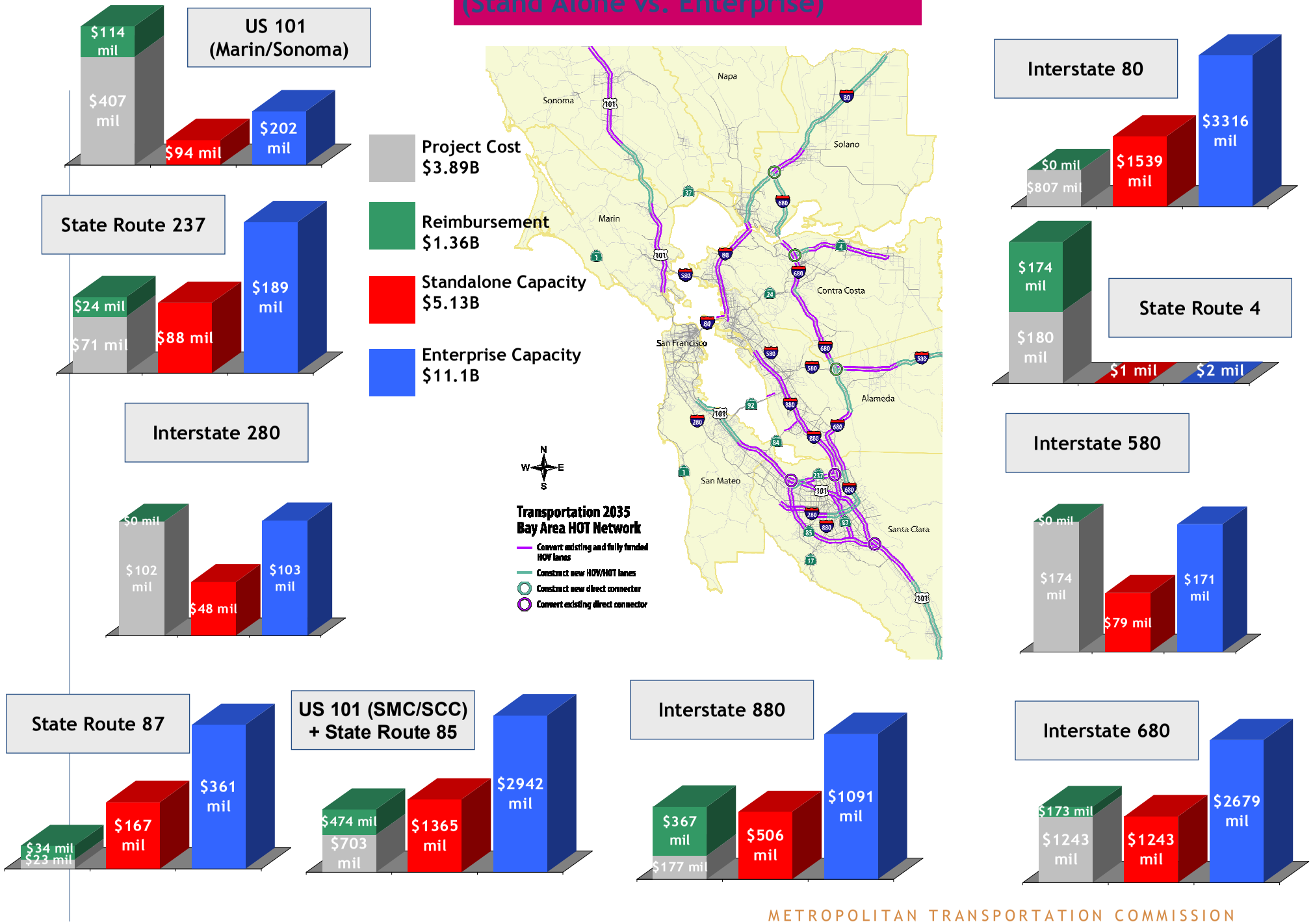
FINANCIAL FEASIBILITY				Scenario 1		Scenario 2		Scenario 3		Scenario 4	
Corridor	Project Cost ($ in MM)	Reimbursement ($ in MM)	Miles	Stand Alone	Regional Enterprise	Stand Alone	Regional Enterprise	Stand Alone	Regional Enterprise	Stand Alone	Regional Enterprise
I-880	$177	$367	70	√	√	√	√	√	√	√	√
US 101 South	$703	$474	188	√	√	√	√	√	√	√	√
I-680	$1,243	$173	148	√	√	√	√	√	√	√	√
SR 237	$71	$24	20		√	√	√	√	√	√	√
I-580	$174		42		√	√	√		√ (1)	√	√
US 101 North	$407	$114	106				√ (1)			√	√
SR 4	$180	$174	39								√ (1)
SR 87	$23	$34	18	√	√	√	√	√	√	√	√
I-280	$102		30			√	√			√	√
I-80	$807		130	√	√	√	√	√	√	√	√
Total	$3,887	$1,360	791								

(1) subsidy amortized over financing term

SCENARIO 2: Financing Capacity (Stand Alone vs. Enterprise)



SCENARIO 3: Financing Capacity (Stand Alone vs. Enterprise)



Express Lanes Network Financing Capacity - Summary

- The financing capacity under the Regional Enterprise approach is significantly greater than the sum of the capacities of individual, stand-alone corridors
  - **Project Cost: $3,887 M + Reimbursement: $1,360 M = $5,247 M**

($ MM) SCENARIO 2	Financing Capacity	Net
Regional Enterprise	$15,107	$9,860
Stand-Alone Project Finance System	$9,361	$4,114

($ MM) SCENARIO 3	Financing Capacity	Net
Regional Enterprise	$11,056	$5,809
Stand-Alone Project Finance System	$5,129	-

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National Toll Systems - Comparative Data

Facility (2009)	Avg. Peak Toll/Mi Rate	Avg. Trip Length / Facility Length	Avg. One-Way Trip Cost	Notes
Toll Bridges				
NY - NJ bridges and tunnels	$5.33	1.5	$8.00	
Golden Gate Bridge	$2.94	1.7	$5.00	
SF Bay Bridge	$0.48	8.4	$4.00	
Toll Roads				
Orange County SR-91	$0.95	10.0	$9.50	(max toll)
Miami (I-95)	$0.72	3.7	$2.65	
Denver	$0.65	5.0	$3.25	(max/AM peak toll)
Minneapolis (I-394)	$0.40	10.0	$4.00	(avg. peak toll, max toll is $8)
San Diego (I-15)	$0.36	12.5	$4.50	(includes new section)
Washington (SR-167)	$0.31	9.0	$2.75	
Bay Area Express Lane Network (Scenario 2)*	$0.45	15.0	$6.75	
Bay Area Express Lane Network (Scenario 3)*	$0.78	15.0	$11.70	

** 2015 projection*

Source: MTC

HOV local investments by county
($ MM)

County		Local Cost
Alameda		$401
Contra Costa		$279
Marin		$27
Santa Clara		$563
Sonoma		$88
Total		$1,358

Notes:

(1) Napa, San Francisco, Solano and San Mateo counties have no local HOV investments
(2) Includes pending projects

Source: MTC

Challenges of a Start up, Stand-Alone Financing

STRATEGIC CONCERNS

- The corridors, as stand-alone projects, cannot sustain a severe discounting of projected revenues by credit analysts and investors, nor can they afford the associated additional interest cost

RATING AGENCY CONCERNS

- Significant rating agency credit concerns; likely to be rated Baa3/BBB- at best

INVESTOR CONCERNS

- Investor skepticism toward toll road project financings

FINANCING CONCERNS

- Project financings often require closed flow of funds
- High risk of few or no investors
- Financing will be costly

Benefits of a Regional Enterprise Approach

- A Regional Enterprise Approach (with cash flow/credit support from BATA) would:
  - Deliver all project funding during the construction period including the reimbursement of the local HOV capital expenditures of each corridor
  - Enable funding for construction in corridors that would not be financially feasible on a start up, stand-alone basis
  - Create incremental financing and cash flow capacity sooner
  - Express Lane system financing would be supported by the existing double-A rated BATA toll bridge enterprise, its balance sheet and liquidity
  - Financing capacity would be enhanced by lower interest costs and lower debt service coverage requirements since project would not be perceived as a start-up
  - Accounting of revenue and expense by corridor will be provided

- Management and Financing Benefits
  - Pledge of existing cash flow/credit, independent of Express Lane system economics
  - Strong and liquid balance sheet

- Operational Benefits
  - Coordination of project management, toll setting policies and system operations

Potential Risks to BATA

- Operational and performance risk of not meeting corridor goals
- BATA will assume some degree of the financial risks of the Express Lane network
- Lower revenues or cost overruns may require additional BATA supported debt or draw on BATA reserves
- May need to use bridge toll revenues to support Express Lane system debt service
- May need to increase bridge tolls to support Express Lane system finances
- An increase in toll rates could negatively impact traffic on the Bridge System, the Express Network, or both
- Potential stress on bridge toll subordinate pledge ratings

Questions and Answers