

START-UP TOLL FACILITIES

Financing Considerations

Presentation to the
Colorado Tolling Enterprise
Ad Hoc Committee on Tolling

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Lisa Fenner
RBC Dain Rauscher

THE TYPICAL PROFILE

- Facility is not yet constructed
- Stand-alone
- No operating history
- Heavy debt leverage
- Need for successive toll increases
- Potential future political uncertainty

THE RESULT

Start-up toll facilities have a
high risk profile

leading to...

Low credit ratings



OVERVIEW

- *Project Feasibility*
- *Construction Risk*
- *Reliability of Revenue Forecasting*
- *Financing Structure*

PROJECT FEASIBILITY

- Project design and cost
- Availability of ROW
- Environmental Issues
- Permitting and approvals
- Timeline for construction
- Reliance on others

CONSTRUCTION RISK

- Delay in project completion or cost due to:
 - High number and amount of change orders
 - Unforeseen problems (environmental, utility relocation, force majeure)
 - Inexperienced workers
 - Use of new tolling technology

REVENUE FORECASTING

- Ability of the toll facility to generate adequate revenues to pay operating costs and debt service
- Revenues are impacted by
 - Volume of traffic
 - Traffic patterns
 - Willingness of drivers to pay tolls
 - Future events

TRAFFIC VOLUME

- Current level of service on free roads
- Congestion levels on free roads
- Economic and demographic profile of the service area
- Availability of competing free roads

TRAFFIC PATTERNS

- Ramp up period
- Level of diversion to free roads
- Types of trips
 - Commuter, recreation, business
- Vulnerability of traffic
 - Price of gasoline, economic cycles

WILLINGNESS TO PAY

- Time savings
- Toll rate per mile
- Income levels in service area
- Elasticity to toll rate increases

FUTURE EVENTS

- Future land use and growth plans
- Future competing or complementary facilities
- Rate of expected economic growth

BUILDING A FINANCE PLAN

- *Debt Structure*
- *Legal Structure*
- *Enhancing the Credit Profile*



DEBT STRUCTURE

- Capitalized interest period
- Moderately increasing amortization of debt
- Senior/subordinate lien structures to maximize bonding capacity
- Use of credit enhancement

LEGAL STRUCTURE

- Rate covenants
- Flow of funds
- Gross or net pledge
- Debt service coverage levels
- Debt service reserve fund
- Major maintenance reserves
- Availability of additional pledged revenues

ENHANCING THE CREDIT PROFILE

- ***Financial Considerations***
 - Availability of federal, state or local government financial support
 - Availability of private participation
 - Cross collateralization of toll system

ENHANCING THE CREDIT PROFILE

- ***State and Local Support***
 - Public support for the project is crucial
 - Coordination with local, regional and state transportation plans
 - Non-competing covenants

ENHANCING THE CREDIT PROFILE

- ***Management of Facility***
 - Operations
 - Level of maintenance
 - Budgeting process
 - Toll evasion procedures
 - Ability and willingness to raise tolls

THE OPTIMAL PROFILE

- Significant congestion exists
- Time savings must be meaningful
- Potential for traffic growth
- Elasticity to toll rate increases



THE OPTIMAL PROFILE

- Strong legal covenants
- Manageable debt
- Other sources of revenue
- Good operation and maintenance procedures and practices

FINANCIAL COMPARISON

	Toll Revenue Bonds	Utility Revenue Bonds	General Revenue Bonds
Investment Grade	Low	Medium	Medium - High
Debt Burden	High	Low to moderate	Low to moderate
Capital Funding Sources	Multiple	Single to Few	Single to few
Multiple Debt Liens	Yes	No	No
Revenue Diversity	Low	Low - medium	High
Revenue History	None	Typically > 5 years	Typically > 5 years
O&M Costs	Funded from tolls	Funded from fees	Not specific
Rate Covenant	Yes	Yes	No
Essentiality of Project / Public Acceptance	Low to medium	High	Medium to high
Capital Reserves	High level required	Moderate level required	Low level required