



HAMPTON ROADS TOLL FEASIBILITY STUDY

Work-in-Progress Presentation #3

Baker



Project Findings To Date

- **Evaluated “Stand-Alone” Projects using tolls that yield greatest revenue**
- **Revenue sources:**
 - **Committed State and Local Funds**
 - **Bonds**
 - **TIFIA/TFRA Loans**
 - **Project Tolls**
- **Financing is costly and inefficient for start-up toll facilities with project toll revenues as the only leverage for bonds and loans.**

Project Findings To Date

- **None of the individual projects evaluated were financially feasible on a stand-alone toll facility basis.**
- **Introduced “front-end” revenue by tolling existing/parallel facilities to finance:**
 - **Hampton Roads Third Crossing (Proj. Scenario #1)**
 - **Improved HRBT (Proj. Scenario #2)**
 - **Midtown Tunnel/MLK Freeway Ext. (Proj. Scenario #3)**
- **Hampton Roads Third Crossing still has funding deficit; other two (2) projects completely funded**

Project Findings To Date

- **Midtown Tunnel/MLK Extension project has a funding surplus when toll revenue is maximized:**
 - **Only 37% of estimated toll revenue is required to cover costs**
 - **Tolls can be reduced on Midtown and Downtown Tunnels from approx. \$1.50 - \$2.20 to \$0.35 - \$0.55**

Current Feasibility Analysis

Effect of Using Tax Revenues for Under-Funded Projects

Project Packages

Package #1

Hampton Roads Third
Crossing¹

Midtown Tunnel & MLK²

Southeastern Parkway
and Greenbelt

Route 460

Package #2

Hampton Roads Bridge
& Tunnel³

Midtown Tunnel & MLK²

Southeastern Parkway
and Greenbelt

Route 460

1 – Tolls on projects plus James River Bridge and Hampton Roads Bridge-Tunnel

2 – Tolls on projects plus Downtown Tunnel

3 – Tolls on projects plus James River Bridge and Monitor Merrimac Bridge-Tunnel

Construction Cost Assumptions

- **Project Cost inflated to Year-of Expenditure dollars using 3.89% as inflationary factor**
- **Preliminary Engineering and Design Costs assumed to be 3% of non-inflated project cost**
- **Preliminary Design and Engineering costs assumed to be paid through other funding sources**
- **Year-of-Expenditure Project cost is net of P/E&D costs**

Construction Cost Assumptions

- **Tax revenues used to offset construction cost and pay debt service**
- **Toll revenues from existing facilities used to offset construction cost and pay debt service**

Financing Assumptions – Toll Revenue Bonds

- **Combination of Current Interest Bonds (CIB's) and Capital Appreciation Bonds (CAB's)**
- **Current Municipal Market Interest Rates and Costs of Issuance for similar transactions**
- **Senior Bonds 1.25x coverage ratio (ascending debt service)**
- **Toll Operating Expenses equal 15% of Toll Revenues***
- **Bonds issued in final year of construction to minimize excess cost of capitalized interest and less favorable market pricing**

*to be incurred after toll facility is operational

Financing Assumptions – Tax Revenue Bonds

- **Current Interest Bonds**
- **Current Municipal Market Interest Rates and Costs of Issuance for similar transactions**
- **1.25x coverage ratio – Current year revenues over future Maximum Annual Debt Service**

Financing Structure

- **Plan of finance structured for single-A credit category**
 - **Benefits:**
 - Increased market acceptance and lower interest rates
 - Lower cost of credit due to increased security
- **Tax Revenue Bonds structured for level debt service**
 - **Level debt service because Tax Rate *cannot* be adjusted in the future**
- **Coverage growth afforded by this structure can be used to redeem bonds in the future and lower debt burden**

Funding Summary

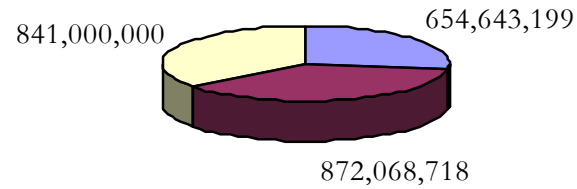
<u>Project</u>	<u>Year-of Expenditure Cost (1)</u>	<u>Additional Funding (2)</u>	<u>Total Bond/Loan Funds</u>	<u>Construction Start Date</u>	<u>Construction End Date</u>
Project Package 1	\$ 7,286,176,967	\$ 2,367,711,918	\$ 4,918,465,049	2006	2018
Project Package 2	\$ 4,979,276,967	\$ 1,593,698,344	\$ 3,385,578,623	2006	2018

(1) Inflated cost net of Preliminary Design and Engineering

(2) Additional funding sources composed of "banked" tax or existing toll revenues and additional Federal and State sources

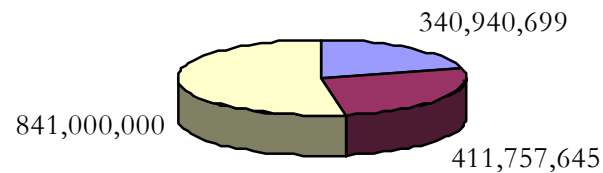
Additional Funding Sources Breakout

Project Package 1



■ New Tax Sources ■ Toll Revenues ■ NHS, RSTP, Primary

Project Package 2



■ New Tax Sources ■ Toll Revenues ■ NHS, RSTP, Primary

Tax Revenue Requirements

	Project Package 1	Project Package 2
Annual Tax Revenue Required (2005 \$'s)	\$140,700,000	\$40,700,000
Gas Tax (cents/gal)	13.15	3.80
Sales Tax (percent)	0.94%	0.27%

Gas Tax: 1 cent gas tax estimated to generate \$10,700,000 in 2005

Sales Tax: 1/2 pct. sales tax estimated to generate \$75,000,000 in 2005

Annual tax growth rate estimated to be 4.5%

Taxes assumed to be in place through final bond maturity