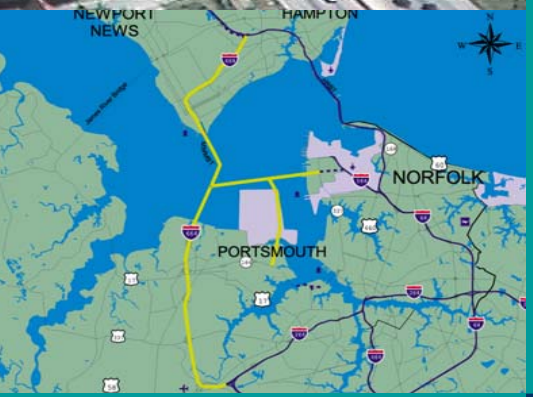


HAMPTON ROADS PLANNING DISTRICT COMMISSION

HAMPTON ROADS

TOLL FEASIBILITY STUDY

Work-in-Progress Presentation #4

Baker

PFM

CRA

fhi

January 19, 2005

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

- Developed two (2) project packages composed of stand-alone projects
- Include tolls on existing/parallel facilities
- Introduced tax revenues as another source of “front end” revenue to cover remaining project package funding deficits

Project Findings to Date

Package #1	Package #2
Hampton Roads Third Crossing[1]	Hampton Roads Bridge & Tunnel[3]
Midtown Tunnel & MLK[2]	Midtown Tunnel & MLK[2]
Southeastern Parkway and Greenbelt	Southeastern Parkway and Greenbelt
Route 460	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

Project Findings to Date

	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

Current Feasibility Analysis

Introduction of a New Project Package

Current Feasibility Analysis

Package #3

Hampton Roads Bridge & Tunnel[1]

Hampton Roads Third Crossing (seg. 1,3,6)[1]

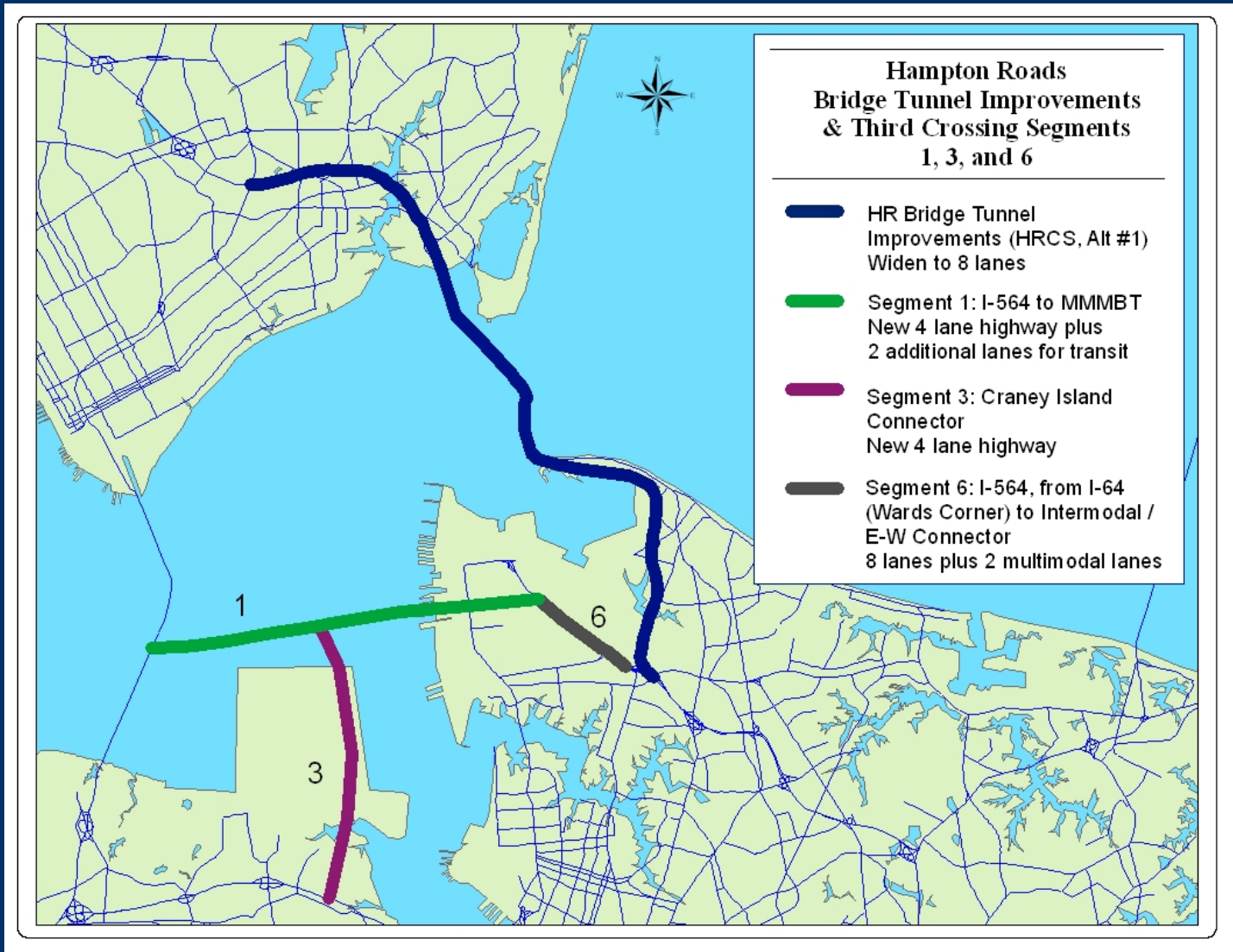
Midtown Tunnel & MLK[2]

Southeastern Parkway and Greenbelt

Route 460

1 – Tolls on projects plus James River Bridge and Monitor Merrimac Bridge-Tunnel
2 – Tolls on projects plus Downtown Tunnel

Project Scenario Combination



Toll Revenue Estimation

- Maximize toll revenues
- Ensure that roadway patrons are not “tolled-off” of facilities
- Employ “value-priced” (variable) tolls

Optimized Tolls – HRBT & HRX

- **HRBT & HRX (Seg. 1,3)**
  - **Peak $0.15/mi. Off-Peak $0.10/mi.**
- **Monitor Merrimac Bridge & Tunnel**
  - **Peak $1.15 Off-Peak $0.80**
- **James River Bridge**
  - **Peak $1.15 Off-Peak $0.80**

Review - 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

Review - 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**

Current Feasibility Analysis

Project	Year-of Expenditure Cost (1)	Additional Funding (2)	Total Bond/Loan Funds	Construction Start Date	Construction End Date
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
Project Package 3	$ 7,582,364,059	$ 2,727,618,045	$ 4,854,746,014	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

Current Feasibility Analysis

	Project Package 1	Project Package 2	Project Package 3
Annual Tax Revenue Required (2005 $'s)	$140,700,000	$40,700,000	$179,200,000
Gas Tax (cents/gal)	13.15	3.80	16.75
Sales Tax (percent)	0.94%	0.27%	1.19%

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