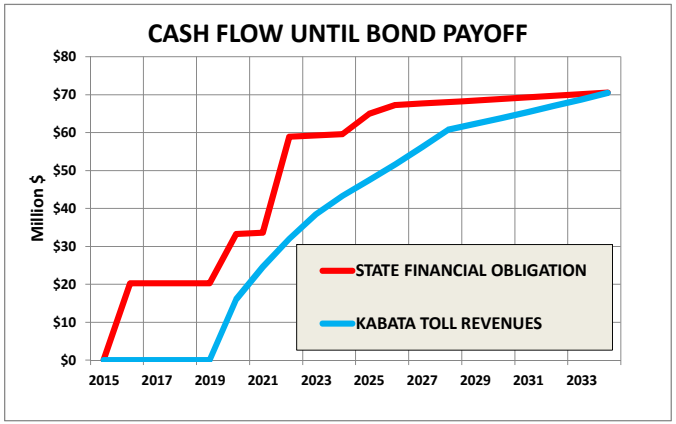

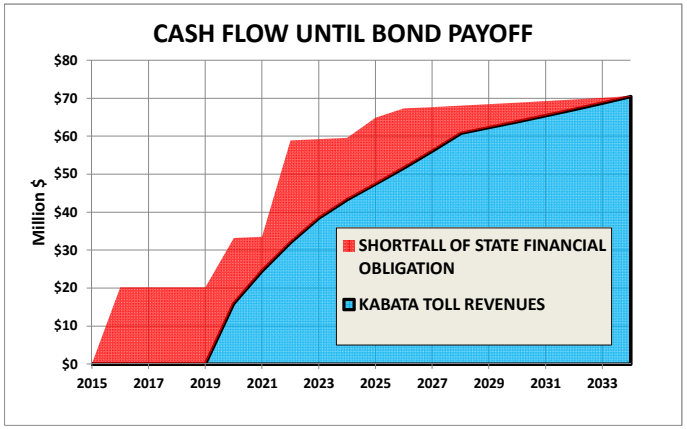

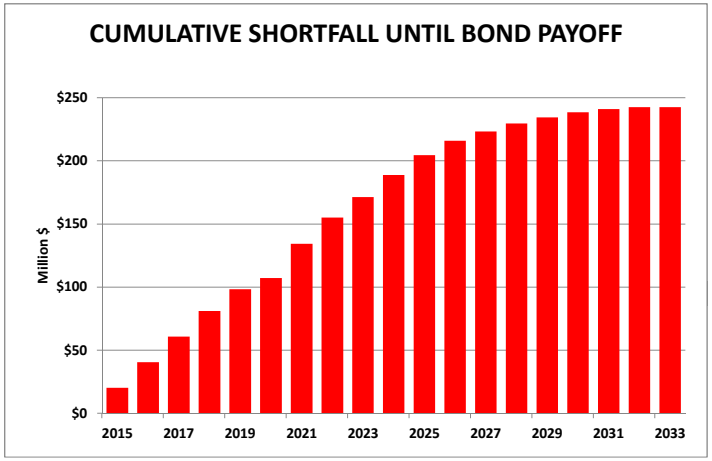

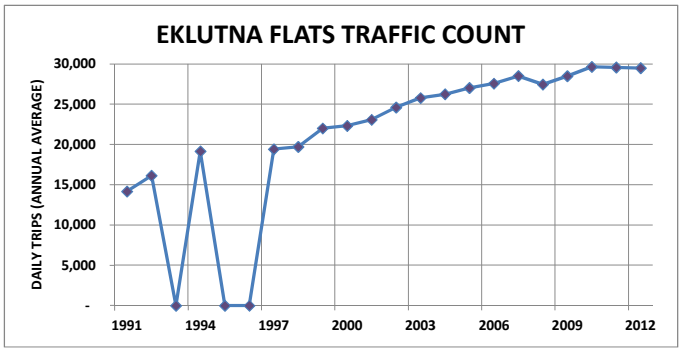

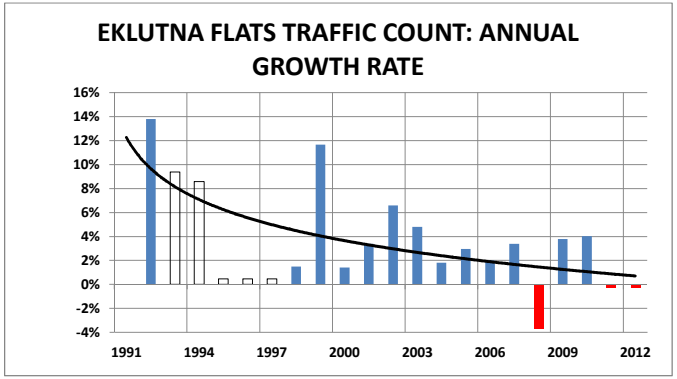

Prepared by Scott Goldsmith

Phase 1 Operations and Debt Service
Alaska Support Industry Alliance Presentation
Slide 12
27-Mar-14

Proposed Knik Arm Crossing
Traffic and Toll Revenue Study Update
Table 19
31-Aug-11

	STATE OBLIGATION (MILLION $)				TOLL REVENUES (MILLION $)		SHORTFALL (MILLION $)	
	TIFIA LOAN	O&M	STATE BOND	TOTAL	DAILY TRIPS (transactions)	ANNUAL GROSS TOLL REVENUE	ANNUAL TOLL SHORTFALL	CUMULATIVE SHORTFALL
	(A)	(B)	(C)	(D=A+B+C)	(E)	(F)	(G=D-F)	(SUM of G)
SUM	$ 713	$ 1,267	$ 385	$ 2,365				
2015	$ 0.00			$ 0.00	0	0	$ 0.00	
2016	$ 0.00		$ 20.25	$ 20.25	0	0	$ 20.25	$ 20.25
2017	$ 0.00		$ 20.25	$ 20.25	0	0	$ 20.25	$ 40.50
2018	$ 0.00		$ 20.25	$ 20.25	0	0	$ 20.25	$ 60.75
2019	$ 0.00		$ 20.25	$ 20.25	0	0	$ 20.25	$ 81.00
2020	$ 0.00	$ 13.00	$ 20.25	$ 33.25	6,700	$ 16.02	$ 17.23	$ 98.24
2021	$ 0.00	$ 13.33	$ 20.25	$ 33.58	10,000	$ 24.54	$ 9.03	$ 107.27
2022	$ 25.00	$ 13.66	$ 20.25	$ 58.91	12,800	$ 32.01	$ 26.90	$ 134.17
2023	$ 25.00	$ 14.00	$ 20.25	$ 59.25	14,900	$ 38.46	$ 20.79	$ 154.96
2024	$ 25.00	$ 14.35	$ 20.25	$ 59.60	16,300	$ 43.32	$ 16.28	$ 171.24
2025	$ 30.00	$ 14.71	$ 20.25	$ 64.96	17,500	$ 47.43	$ 17.53	$ 188.77
2026	$ 32.00	$ 15.08	$ 20.25	$ 67.33	18,700	$ 51.69	$ 15.64	$ 204.41
2027	$ 32.00	$ 15.45	$ 20.25	$ 67.70	19,900	$ 56.12	$ 11.58	$ 215.99
2028	$ 32.00	$ 15.84	$ 20.25	$ 68.09	21,100	$ 60.78	$ 7.31	$ 223.30
2029	$ 32.00	$ 16.24	$ 20.25	$ 68.49	21,100	$ 62.30	$ 6.19	$ 229.49
2030	$ 32.00	$ 16.64	$ 20.25	$ 68.89	21,100	$ 63.85	$ 5.04	$ 234.53
2031	$ 32.00	$ 17.06	$ 20.25	$ 69.31	21,100	$ 65.45	$ 3.86	$ 238.38
2032	$ 32.00	$ 17.48	$ 20.25	$ 69.73	21,100	$ 67.09	$ 2.65	$ 241.03
2033	$ 32.00	$ 17.92	$ 20.25	$ 70.17	21,100	$ 68.76	$ 1.41	$ 242.43
2034	$ 32.00	$ 18.37	$ 20.25	$ 70.62	21,100	$ 70.48	$ 0.13	$ 242.57

SUM thru 2049 Interest Rate 3.64%

SUM thru 2069 Growth Rate 2.5%

Interest Rate 3.64%

Cap trips at 21,000 for 2 lane bridge

Toll grows 2.5% annually

Prepared by Scott Goldsmith

Annual Traffic Volume Report
Central Region, 2010-2011-2012
Alaska Department of Transportation
Page IV-9.

HISTORICAL TRAFFIC AT EKLUTNA

year	AVERAGE ANNUAL DAILY TRAFFIC (AADT) COUNT AT EKLUTNA FLATS	Growth Rate
1991	14,177	
1992	16,134	13.8%
1993	NA	**9.4%**
1994	19,161	**8.6%**
1995	NA	**0.5%**
1996	NA	**0.4%**
1997	19,423	**0.5%**
1998	19,711	1.5%
1999	22,010	11.7%
2000	**22,321**	1.4%
2001	23,079	3.4%
2002	24,600	6.6%
2003	25,782	4.8%
2004	26,249	1.8%
2005	27,028	3.0%
2006	27,570	2.0%
2007	28,506	3.4%
2008	27,454	**-3.7%**
2009	28,495	3.8%
2010	**29,644**	4.0%
2011	29,572	**-0.2%**
2012	29,494	**-0.3%**

Growth Rates in Red Estimated by Interpolation

Comment on Scott Goldsmith Spreadsheet Using KABATA Numbers

TO: Members of the Alaska Senate and House

From: Jamie Kenworthy

Date: April 8, 2014

The attached Excel spreadsheet from Scott Goldsmith is based on available past data from KABATA and interpretations from current presentations by KABATA. As you can see the result is that the Knik Arm Bridge will run a cumulative deficit growing to $242 million by 2034 when the state bonds are retired.

Since KABATA has not provided the promised demographic data, an updated traffic and toll revenue forecast, or any spreadsheet of projected toll revenue and bond payments, we thought it was important for the legislature to have such a simple spreadsheet prior to voting on CSHB 23. CS HB 23 allows the Bond Committee and legislature to approve a direct obligation of the state to issue up to $300 million in state bonds and also contains an apparent moral obligation of the state for up to $500 million to repay a proposed TIFIA loan.

The point of this exercise was *not* to portray a realistic spreadsheet of the project's financing; the aim is to show that even using KABATA's numbers, the project is dependent on the state to make up for the toll shortfalls until at least 2034.

Constructing the Goldsmith Spreadsheet

The numbers for the amounts of the proposed $251 M state bond, the proposed $341 M TIFIA Bond, and a project cost of $894 million for a 2 lane Bridge comes from the March 1, 2014 joint KABATA-DOTPF, 1 page funding proposal presented to the Senate Finance Committee.

The toll revenue numbers come from KABATA's last Base Level Forecast Table 19 p. 33 by CDM Smith August, 2011 Toll and Revenue Forecast http://www.knikarmbridge.com/2011TIGER/T&RStudy.pdf and then capped at 21,100 Average Annual Daily Trips (AADTs, counted both directions) which is the maximum load on a 2 lane restricted highway. The LB&A April, 2013 audit criticized these numbers as undocumented and overly optimistic but they are the last ones available, and they also appear to be the basis for the toll revenues shown in KABATA Chair Michael Foster's breakfast presentation to the Alliance on March 27, 2014. They were used in KABATA's last failed 2012 Letter of Interest application to the federal TIFIA program. Table 19 and the financial plan show the revenue from up to 39,200 trips a day or 4 lanes of tolled traffic crossing a 2 lane Bridge.

The O&M costs utilized in this analysis were shown in KABATA Chair Michael Foster's breakfast presentation to the Alliance on March 27, 2014.

The shortfall is simply the difference between the annual state obligation to pay O&M and repay the TIFIA and state loans and projected annual toll revenues.

Conclusions

With KABATA numbers showing a shortfall on obligations, the following conclusions may be drawn:

- The financing for CSHB 23 was described in Senate Finance deliberations as dependent on three equal parts: state funds, federal TIFIA loan, and toll revenue. With the toll shortfall and

proposed direct and indirect state obligations and up to $800 million in bonds embedded in CS HB 23, the proposed financing might be more accurately described as at least 2/3 state funded.

- The Goldsmith spreadsheet and these comments *should not be interpreted in any way as an acceptance of KABATA's last traffic and toll revenue forecast*. KABATA's last forecast had 36,000 trips a day in 2035; the 2009 Highway to Highway number was less than half that or 17,700 AADTs, the recent HDR number is 74% lower or 9,400 AADTs. (HDR, a KABATA contractor, says that 9,400 number that surfaced from a Public Records Act request is misleading since it was done for the Wasilla bypass and is not a regional forecast. HDR does not explain why it forecast only 1,249 jobs at Point MacKenzie in 2035 at the northern terminus of the proposed bridge, while KABATA's last number for that area was eight times higher or 10,455 jobs.)
- The attached sheet shows that traffic on the Glenn between Anchorage and the Valley has been flat the last three years counts are available, actually slightly decreasing. While Mat-Su is the fastest growing area of the state, current and future growth of services and jobs in the Valley means a smaller and smaller share of trips will necessitate a drive to Anchorage.

Finally, I think that before approving any proposed financial obligation for up to $800 million in state funds, most financial professionals would require a simple spreadsheet showing the schedule of toll revenues and projected bond payments to see if the numbers add up. Any minimal due diligence would also require the demographic data and traffic models that back up the traffic and toll forecast to be available for review.

Thanks for considering these comments.

Jamie Kenworthy

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