

SCS 2D CS FOR HOUSE BILL NO. 23(FIN) AM S

Version 28-LS0141\I.A



Brief History of Project Financing

- The enabling legislation was passed in 2003 by the Alaska Legislature creating KABATA as a "*public corporation and instrumentality of the state within the Department of Transportation*" with a charge to build and operate the Knik Arm Crossing
- At its inception, funding was primarily federal funding (or ear marks) by Alaska's congressional delegation. When the climate in DC changed and ear marks fell out of favor, a new funding strategy had to be explored
- The P3 or Private Public Partnership looked like a viable option; legislation was drafted and filed in 2011 (HB 158). This model took advantage of the Private Partner taking the risk for Design/Build, Financing, M&O, and Toll Collection. Whereas the state received the toll and paid a mortgage style payment
- Timing is everything; a recession hit, and the P3 industry globally began to realize their exposure in this approach and wanted to indemnify themselves -- model became less attractive
- By the end of the 2013 legislature session, HB 23 was amended in the House to use another corporation/instrumentality of the state for the project -- Alaska Housing Finance Authority (AHFC). The amended version passed the house and was transmitted to the Senate.
- A problem with the amended version was it still required AHFC to use a P3 model to finance and build the Bridge.
- Over the interim the Governor's office, DOR, DOL, DOT, KABATA, the Sponsors of the Legislation, and the Co-Chair of Senate Finance worked on the details of a new finance model

RUCTURE Ready

• New Public Finance model was adopted in the Senate Finance Committee which uses a Design/Build approach

KNIK ARM CROSSING

Benefits of Design-Build Project

- Design & Construction are contracted to a single entity
 - Both phases have a single point of contact
 - Efficiencies provide a savings in time and money
 - Risk is shifted away from the State
 - Faster delivery
- Other Design-Build Projects:
 - Glenn/Parks Highway
 - Eagle River Bridges

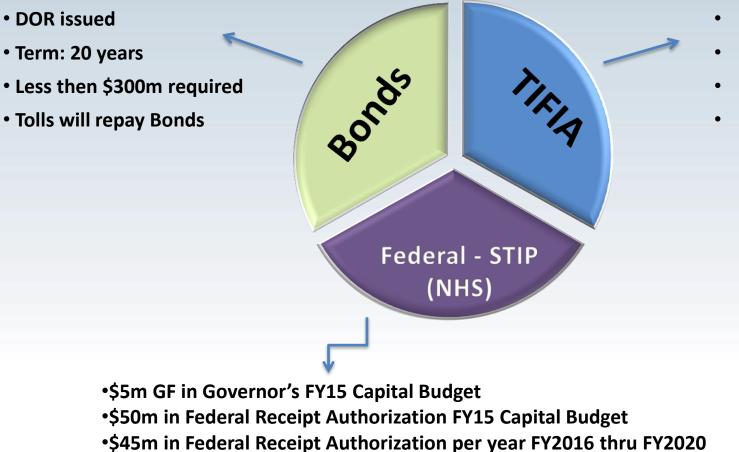


Glenn/Parks Interchange

RUCTURE READY

🕃 Knik Arm Crossing

Public Finance Model



KNIK ARM CROSSING

- Federal issued
- Term: Up to 35 year
- \$350m available

RUCTURE Ready to Build

Tolls will repay Loan

Toll Bridge Revenue Bonds

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RUCTURE READ

• Bonds issued by DOR

NIK ARM CROSSING

- Credit rating: AA+
- Bonds issued after contract is awarded
- Recent interest rates: 3.36%
- Term: 20 years to maturity
- Annual debt service: \$22 million
- Toll revenues will repay the bond debt

Federal TIFIA Loan

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RUCTURE READY

- Loan by US Dept. of Transportation
- Interest rate: currently 3.47%
- Term: Up to 35 years

KNIK ARM CROSSING

- Up to \$350M available
- Toll revenue will repay loan



Federal Highway Funds (NHS)

- \$50m in Federal Receipt Authorization in FY15 Capital Budget
- \$45m in Federal Receipt
 Authorization per year from
 FY2016 thru FY2020, up to
 \$245m in Federal Highway funds

Federal STIP Funds (NHS)

RUCTURE **KCA**

NHS – National Highway System



Traffic and Toll Bridge Revenue

The Juneau-Douglas Bridge has about 9,500 cars per day that cross it. To pay back the TIFIA loan will take about 10,000 cars a day. So contrasting Douglas' population and Juneau's population with Anchorage and Mat-Su, I think you can see it's not unreasonable to assume that we'll achieve traffic volumes rather quickly that equal that of the Juneau-Douglas Bridge; because the two population centers on either side of the KABATA Bridge are much larger.

Attributed to testimony by Jeff Ottesen, DOT&PF, 3/19/2014

Another point about this project is we've never had a highway project in this state funded by the users through a toll. The toll will also fund the maintenance and operation of the project. Over time, as the tolls pay off debt we will start generating surplus revenue, that revenue will help fund the general highway programs of the entire state.

NIK ARM CROSSING

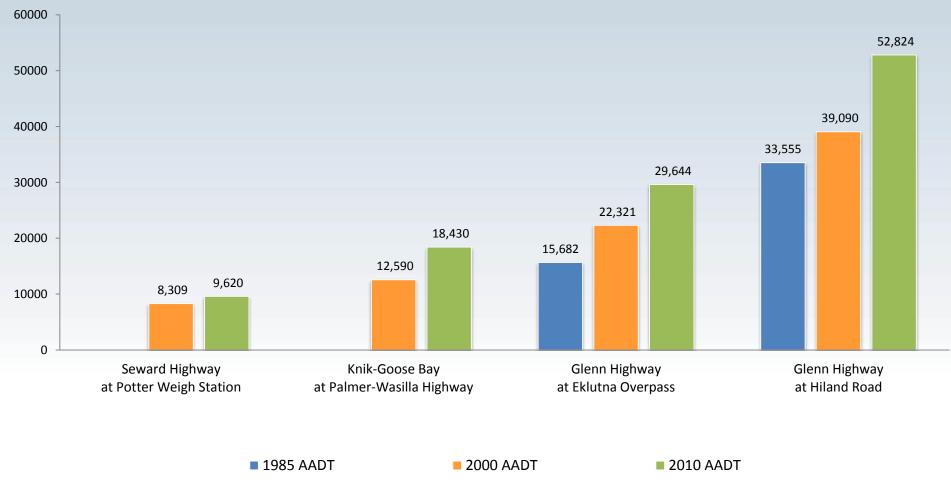
Attributed to testimony by Jeff Ottesen, DOT&PF, 4/2/2014



RUCTURE HP2

Average Annual Daily Traffic 1985-2010

Traffic Growth in Southcentral

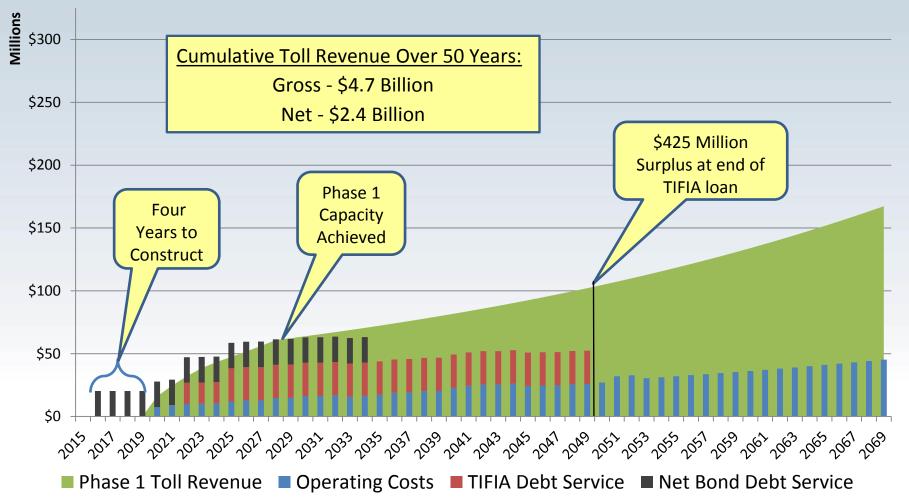


KNIK ARM CROSSING

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RASTRUCTURE Ready to Build

Phase 1 Gross and Net Toll Revenue (50 Years)



KNIK ARM CROSSING

FRASTRUCTURE Ready t

KABATA Funding: Joint KABATA- DOT&PF Proposal, March 1, 2014

		UGF	Fee	deral Formula		Other	Total
Estimated Project Cost Needed to Construct (From KABATA February 27, 2014)							\$ 894,424,715
Remaining Authority Available for Construction			\$	18,932,260			\$ 18,932,260
FY2015 Budget Proposed Authority	\$	5,000,000	\$	50,000,000			\$ 55,000,000
Additional Federal-Aid Needed			\$	226,067,740			\$ 226,067,740
State Issued Bonds*					\$	251,495,401	\$ 251,495,401
TIFIA Loan**					\$	341,348,576	\$ 341,348,576
Interest earnings on construction bond fund					\$	1,580,738	\$ 1,580,738
Totals	\$	5,000,000	\$	295,000,000	\$	594,424,715	\$ 894,424,715
*In addition \$20,269,048 raised to cover one year P&I payment held in reserve by DOR.						\$ 20,269,048	
*In addition, \$4,140,551 raised to pay for debt issuance costs for the bonds.						\$ 4,140,551	
** TIFIA loan payments will come from toll revenue. In addition, \$2,123,890 raised to pay for						\$ 2,123,890	
TIFIA debt issuance costs.							
Note: Project costs prior to this estimate are not shown for clarity.							
Total Fed Funds	\$	295,000,000					
Less earmark unused	\$	18,932,260					

Less FY2015 Proposed Federal Authority		50,000,000
Total forward fed funds needed	\$	226,067,740
Federal funds needed over 5 years ('16 - '20)	\$	45,213,548

Advantages of this revised approach:

Would use <u>state bonds</u> for all match after 2015 (Saves about \$24 M UGF) Would use TIFIA at 33% of total costs up to award.

Revisions

KNIK ARM CROSSING

1) Revised March 7, 2014 to separate TIFIA and bond debt issuance costs from capital cost estimate. (KABATA jjd)

ESSENTIAL INFRASTRUCTURE Ready to Build