

“Reserve Fund” established by HB 23 and SB 13 still provides an unlimited State Guarantee

What are “Availability Payments”?

As long as the bridge is “available” for use, HB23/SB13 sets up periodic “Availability Payments” from KABATA’s “Reserve Fund” to the bridge developer/contractor. KABATA describes this financing structure in their August 2012 TIFIA application “Letter of Interest” (LOI) (available at KABATA’s website at http://www.knikarmbridge.com/documents/KnikArmCrossingFY2013-2014TIFIALOIFINAL_001.pdf) with the following description on the bottom of page 11, “the private partner will design, build, finance, operate and maintain the Project under a concession of approximately 35 years after substantial completion in exchange for **availability payments** from KABATA and potentially a milestone payment(s) during or at completion of construction. The availability payments will be paid from a Project reserve fund that will hold in trust appropriated funds as well as toll revenues. **The Project reserve fund will set forth minimum reserve requirements that, if not met, will trigger a request for appropriation from the State of Alaska under the mechanism set forth in the anticipated legislation.**”

KABATA’s financial plans rely upon receiving TIFIA financing at 3% interest. Given \$41 billion of project costs (33 to 50% fed share) in requests (http://www.fhwa.dot.gov/ipd/tifia/letters_interest_applications/letters_submitted_2013.htm) for the available \$1 billion in TIFIA loans, it is HIGHLY unlikely that HALF of the federal TIFIA loans will be given to the “Bridge to Nowhere”. KABATA’s financial plans need to be re-done to show all funding coming from non-TIFIA sources. KABATA admits on Page 13 of their LOI that TIFIA funds are **critical** to their current financial plan, and if not provided, the project may require further federal funds: “The amount of TIFIA assistance requested will optimize the Project’s capital structure, thus **allowing for lower availability payments**. Lower availability payments translate into an **increased probability that toll revenues will be sufficient** to meet them, especially during the early years of service, while maintaining the minimum Project reserve requirements under the Project Trust. These will also ensure **a lower probability that federal-aid funds will be needed in the future** to meet critical needs for capacity improvements and extensions within the Project and in the region. Even if federal-aid funds are ultimately needed, the amount required will be lower if the Project receives the maximum amount of TIFIA credit assistance authorized by law in its capital structure.”

On that same Page 13, KABATA admits that without the State guarantee provided by HB23/SB13, the project is so risky that it would not be deemed “creditworthy”. “Optimized TIFIA financing also **reduces the potential that the availability payments will need legislative appropriations**. This lower level of risk to the State will enhance the legislative package being presented to the Legislature next session. The **passage of the legislative package contemplated is fundamental to Project creditworthiness** under current market conditions and **risk tolerance levels**.”

Where is the “Unlimited State Guarantee”? It comes from the continually replenished “Reserve Fund”.

If there is any question that HB23/SB13 provides a State obligation to replenish the “Reserve Fund”, which establishes the State guarantee, the following from the middle of Page 16 of the LOI makes it clear:

*“The pro forma plan of finance submitted with this LOI demonstrates the senior lien obligations of the private partner will be able to **achieve investment grade** because of the following (the “Credit Structure”):*

- The State of Alaska’s current appropriation credit rating of AA by Standard and Poors and Aa3 by Moodys;
- Establishment of the Project reserve fund to assure the appropriated funds and toll revenues are pledged toward monetary obligations under the PPA, including any milestone payment(s) and the availability payments;
- An assumed initial \$150 million appropriation by the State of Alaska Legislature deposited to the Project reserve;
- **A statutory trigger** for KABATA to request the Governor and State Legislature to act on supplemental appropriations if necessary to **replenish the Project reserve fund** to the minimum requirement, **representing an obligation of the State.**”

Page 17 of the LOI actually minimizes the importance that the Knik Arm Bridge was supposed to be entirely financed by tolls: “It is important to recognize that **while there is a tolling portion** to the Project, it is structured as an **availability payment backed by an appropriation pledged by the State of Alaska.**”

Mr. Jeff Stark, of the AG’s office was accurate in his statements on March 22, 2012 before the House Finance Committee that if the Toll Revenues fall short, the State will need to make up the difference.

HB23/SB13 allows KABATA to issue \$600 million in Private Activity Bonds WITHOUT any further action by the Legislature.

KABATA projects a 3% TIFIA loan for \$500 M resulting in an overall interest rate is 5.9% because in early years the amount of principal owed actually increases because of the toll shortfall. Without TIFIA’s 3% loan for half the construction costs, the overall interest rate to jumps to at least 8.6% and project financing costs balloon. See the following from the bottom of page 22 and top of page 23 of LOI:

If enacted, the legislation would accomplish the following:

- Authorize KABATA to establish a Project reserve fund to hold toll revenues, appropriated funds and other KABATA revenues, and available to pay PPA monetary obligations and KABATA’s own operating costs, with surplus available to pay for capacity improvements and expansions related to the Project and other Title 23 eligible transportation improvements and transit;
- Establish for KABATA a procedure, comparable to that available to other public corporations under Alaska law, to report to the Legislature and request further appropriations if the **Project reserve fund falls below a minimum reserve fund requirement**;
- **Increase** KABATA’s **bonding authority to \$600 million**, enabling KABATA to act as **conduit issuer** for the **full amount of the PABs** allocation to the Project;

The following pages show annotated versions of the traffic forecast and “Pro-Forma” from KABATA’s August 2012 TIFIA application, which highlight problems with KABATA’s current financial plan.

Traffic Forecast is at: <http://www.knikarmbridge.com/documents/MemoForAugust2012TandRforecastupdated8.23.2012.pdf>

Pro-Forma is at: http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf

The 4 lane Glenn Highway had 29,664 Average daily traffic at Eklutna in 2010

Table 1
Estimated Average Daily Transactions and Gross Toll Revenue
Base Forecast using Probable Economic Assumptions
Proposed Knik Arm Crossing
Assuming Year 2017 Opening

KABATA predicts equaling Glenn Hwy in only 15 years

Year	Estimated Annual Average Daily Transactions			Estimated Annual	
	Passenger Car	Commercial Vehicle	Total	Transactions	Gross Toll Revenue
2017 (1)	5,900	800	6,700	2,445,500	16,024,000
2018(2)	8,800	1,200	10,000	3,650,000	24,543,000
2019	11,300	1,500	12,800	4,672,000	32,007,000
2020	13,100	1,800	14,900	5,438,500	38,457,000
2021	14,300	2,000	16,300	5,949,500	43,317,000
2022	15,400	2,100	17,500	6,387,500	47,428,000
2023	16,500	2,200	18,700	6,825,500	51,689,000
2024	17,600	2,300	19,900	7,263,500	56,124,000
2025	18,700	2,400	21,100	7,701,500	60,778,000
2026	19,800	2,700	22,500	8,212,500	67,251,000
2027	21,000	2,900	23,900	8,723,500	73,444,000
2028	22,200	3,100	25,300	9,234,500	79,882,000
2029	23,400	3,300	26,700	9,745,500	86,556,000
2030	24,600	3,500	28,100	10,256,500	93,560,000
2031	25,900	3,500	29,400	10,731,000	99,229,000
2032	27,100	3,700	30,800	11,242,000	106,822,000
2033	28,300	3,900	32,200	11,753,000	114,681,000
2034	29,500	4,100	33,600	12,264,000	122,930,000
2035	30,700	4,300	35,000	12,775,000	131,459,000
2036	31,700	4,300	36,000	13,140,000	137,619,000
2037	32,400	4,400	36,800	13,432,000	144,232,000
2038	33,100	4,500	37,600	13,724,000	151,137,000
2039	33,800	4,600	38,400	14,016,000	158,254,000
2040	34,500	4,700	39,200	14,308,000	165,550,000

Ramp up Schedule:

2017 assumes a ramp-up factor of 61.0 percent.
2018 assumes a ramp-up factor of 81.3 percent.
2019 assumes a ramp-up factor of 94.5 percent.
No ramp-up is assumed in 2020 or beyond.

Per Fed. Traffic Manual, 22,500 ADT is the maximum that a 2 lane road can handle

This column of toll revenues is used with slightly revised numbers in KABATA's 2012 MAP-21 TIFIA Pro Forma

⁽¹⁾ Bridge assumed opened to traffic on January 1, 2017 with a Passenger Car Toll of \$5.00; tolls proportionately higher for Commercial Vehicles.

⁽²⁾ Assumes a Toll Schedule increased by 2.5 percent annually beginning January 1, 2018; tolls proportionately higher for Commercial Vehicles.

Because KABATA predicts that it will expand from 2 lane bridges and approach roads to 4 lanes in approximately 2030, the predicted revenues from more than 22,500 ADT between 2027 and 2030 includes \$70 million of "Impossibly Derived Revenue"!

KABATA received TIFIA rejection for the FIFTH time in Sept 2012, and was told that if they ever do qualify for a loan, it would be for 33% of project cost, not the 49% that \$500 million (m) represents. At best, that's \$200 m missing from their financial plan.

SOURCES AND USES

SOURCES	GOV PURPOSE	PRIVATE ACTIVITY BONDS	SHORT-TERM FINANCING	TIFIA (1)	EQUITY	TOTAL PRIVATE FINANCING	PUBLIC INVESTMENT	TOTAL
Current Interest Bonds	-	153,435,000	-	-	-	153,435,000	-	153,435,000
Capital Accretion Bonds	-	-	-	-	-	-	-	-
Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA	-	-	-	500,473,670	-	500,473,670	-	500,473,670
Equity	-	-	-	-	72,787,288	72,787,288	-	72,787,288
Premium / Original Issue Discount	-	-	-	-	-	-	-	-
Public Funds Available	-	-	-	-	-	-	-	-
1) Federal	-	-	-	-	-	-	112,572,342	112,572,342
2) State Match	-	-	-	-	-	-	17,324,917	17,324,917
3) State Grant (Milestone Payment)	-	-	-	-	-	-	-	-
4) State Grant (Reserve Fund)	-	-	-	-	-	-	150,000,000	150,000,000
5) State Commerce Grant	-	-	-	-	-	-	15,000,000	15,000,000
6) TIGER-TIFIA Grant	-	-	-	-	-	-	-	-
Total	-	153,435,000	-	500,473,670	72,787,288	726,695,959	294,897,259	1,021,593,218

USES

Deposit to Construction Fund	-	109,357,485	-	499,723,670	70,494,245	679,575,400	25,419,013	704,994,413
Right of Way	-	-	-	-	-	-	15,250,000	15,250,000
KABATA PPA Oversight	-	-	-	-	-	-	11,826,000	11,826,000
Deposit for Port MacKenzie Road Upgrade	-	-	-	-	-	-	15,000,000	15,000,000
Deposit for KABATA Development Costs	-	-	-	-	-	-	77,402,246	77,402,246
Deposit to State Reserve Fund	-	-	-	-	-	-	150,000,000	150,000,000
Repay Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA Credit Subsidy (2)	-	-	-	-	-	-	-	-
Deposit to Capitalized Interest Fund	-	25,051,575	-	-	-	25,051,575	-	25,051,575
Deposit to Prepaid Interest Fund	-	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	15,343,500	-	-	-	15,343,500	-	15,343,500
Bond Insurance Premium	-	-	-	-	-	-	-	-
Cost of Issuance	-	2,301,525	-	750,000	-	3,051,525	-	3,051,525
Underwriter's Discount	-	767,175	-	-	-	767,175	-	767,175
KABATA FA Success Fee	-	613,740	-	-	2,293,044	2,906,784	-	2,906,784
Concession (Shortfall)/Surplus	-	-	-	-	-	-	-	-
Total	-	153,435,000	-	500,473,670	72,787,288	726,695,959	294,897,259	1,021,593,218

Equity Contribution (12% IRR)	72,787,288
Construction Fund Surplus / (Shortfall)	8,416
Equity as % of Financing, Including Public Funds	7.125%
Equity as % of Financing, Excluding Public Funds	10.016%

Delivery Date	12/1/13
Rates as of	2/1/12

Cap I Date	12/1/2016	12/1/2016
Cap I Earnings Rate	0.50%	0.50%

Bond Yield	-	5.846%
Arbitrage Yield	-	5.846%
True Interest Cost	-	5.895%

Minimum Coverage	2.09x	1.33x
Average Coverage	2.90x	1.47x
Final Maturity	12/1/2034	12/1/2046

Total Qualified Project Costs	1,021,374,837
TIFIA 49% Limitation	500,473,670

- (1) TIFIA rate assumed at 4.00% (current market + 140bps)
(2) For subsidy cost of credit assistance

It is not appropriate for a State agency, like KABATA to give themselves a "Success Fee". This needs to be explained.

\$72.8 million is Private Equity Contribution from P3 Contractor, See Page 4

With half their projected funds coming from the TIFIA 3% federal loan, the overall rate is 5.846%. Without the \$500 M from TIFIA the average loan rate is 8.6%. KABATA needs to provide a new Pro-Forma!

The Red boxed comments of this document were created by Jamie Kenworthy and Bob French. This Annotated version is available at http://knikbridgefacts.org/wp-content/uploads/2013/02/KnikArmCrossingProFormaModel_000-Annotated.pdf
KABATA's original of this document available at: http://www.knikarmbridge.com/documents/KnikArmCrossingProFormaModel_000.pdf

Knik Arm Bridge and Toll Authority
Base Case: Normal Traffic Projections- TIFIA at 49%
Private Model - Availability Payment Structure

Phase I

ASSUMPTIONS

Derivation of DSRF Requirement

Gov. Purpose	
10% of Par	-
Maximum Annual Debt Service	-
125% of Average Annual Debt Service	-
Minimum of 3 tests	-
PABs	
10% of Par	15,343,500
Maximum Annual Debt Service	25,507,352
125% of Average Annual Debt Service	17,907,483
Deposit	15,343,500

TIFIA Eligible Costs

Project Costs	705,526,033
Right of Way	15,250,000
KABATA PPA Oversight	11,826,000
KABATA Debt Service Reserve Fund Deposit	15,343,500
KABATA Capitalized Interest Deposit	25,051,575
Bond Insurance	-
Cost of Issuance	2,301,525
Development Phase: Public Investment (1)	92,402,246
Underwriter's Discount	767,175
Upfront Payment	2,906,784
State Funded Reserve Fund	150,000,000
Total Eligible TIFIA Costs	1,021,374,837
 Maximum Capacity Constraint	 500,473,670
Actual TIFIA Loan Amount Used	500,473,670
 Percentage for proration of indirect costs	
Urban	42.4%
Rural	57.6%
Total	100.0%

2017 Initial Toll Rate	\$5.00
2011 Initial Toll Rate (PV @ 2.50%)	\$4.53
Annual Toll Rate Increase After 2016	2.500%

Costs of Issuance

Bonds	1.500%
TIFIA	750,000

Underwriter's Discount

Bonds	0.500%
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Insurance (% of Total DS)	0.000%
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(1) Includes \$15 million commerce grant for Pt Mackenzie Rd upgrade

NOTE: Both the September 25, 2012 and December 11, 2012 letters to KABATA from the Federal FHWA DOT regarding KABATA's 2012 TIFIA Letter of Interest indicate that IF KABATA does get a TIFIA loan, KABATA will NOT receive more than 33% of project cost. Because KABATA has no TIFIA funds, that \$500 m should not be included in their Financial Plan, or if TIFIA is included, the State should be listed as the alternate source of that \$500 million.

The Federal TIFIA program is highly popular and typically gets "letters of Interest" requesting 10 times more money than what is available.

KABATA has now been turned down FIVE times in their TIFIA applications, and despite KABATA's assertions, it is not a first-come, first-served program.

Refer to http://www.knikarmbridge.com/documents/Knik_Arm_LOI_Response_9-25-12.pdf and http://www.knikarmbridge.com/documents/Knik_Arm_Response_from_USDOT-12-11-12.pdf

Knik Arm Bridge and Toll Authority
Base Case: Normal Traffic Projections-TIFIA at 49%
Private Model - Availability Payment Structure

Phase I

Toll Revenue is not shown here, possibly because they don't want to directly compare revenue with the "Availability Payments" that the State is guaranteeing. See pg. 6.

EBITDA				2.50%	2.50%	2.50%	
Date	Toll Revenue	Availability Payment	Interest Income Earnings	O&M	Tolling Operations	Renewal CapEx	Cash Available for Debt Service
Total	-	2,332,602,885	23,628,990	(122,228,256)	(196,731,032)	(112,054,849)	1,925,217,738
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	-	-	-	-	-	-
12/1/17	-	24,729,500	460,305	(1,908,268)	(1,746,600)	(889,193)	20,645,744
12/1/18	-	28,118,680	460,305	(2,219,973)	(1,952,625)	(890,084)	23,516,304
12/1/19	-	33,563,427	460,305	(2,070,627)	(2,143,275)	(898,535)	28,911,296
12/1/20	-	35,065,964	460,305	(2,198,735)	(2,319,575)	(900,343)	30,107,617
12/1/21	-	40,628,603	460,305	(2,159,774)	(2,472,300)	(901,316)	35,555,517
12/1/22	-	42,253,747	460,305	(2,457,230)	(2,616,825)	(1,216,140)	36,423,856
12/1/23	-	43,943,897	460,305	(2,330,510)	(2,766,475)	(1,217,173)	38,090,044
12/1/24	-	45,701,653	460,305	(2,630,133)	(2,924,325)	(2,464,241)	38,143,259
12/1/25	-	47,529,719	460,305	(2,472,437)	(3,089,350)	(2,464,473)	39,963,763
12/1/26	-	49,430,908	460,305	(2,774,865)	(3,289,225)	(2,465,602)	41,361,521
12/1/27	-	51,408,144	460,305	(2,623,009)	(3,496,275)	(2,458,082)	43,291,083
12/1/28	-	53,464,470	460,305	(2,840,533)	(3,713,575)	(2,459,279)	44,911,387
12/1/29	-	55,603,048	460,305	(2,782,750)	(3,940,100)	(1,206,974)	48,133,529
12/1/30	-	57,827,170	460,305	(3,223,756)	(4,178,925)	(1,208,244)	49,676,550
12/1/31	-	60,140,257	460,305	(2,848,581)	(4,407,500)	(1,209,552)	52,134,929
12/1/32	-	62,545,867	460,305	(3,197,045)	(4,634,025)	(1,962,682)	53,212,421
12/1/33	-	65,047,702	460,305	(3,132,011)	(4,870,800)	(1,964,070)	55,541,127
12/1/34	-	67,649,610	15,803,805	(3,628,366)	(5,119,875)	(1,965,499)	72,739,675
12/1/35	-	70,355,595	-	(3,322,750)	(5,379,200)	(2,055,333)	59,598,312
12/1/36	-	72,114,485	-	(3,478,155)	(5,685,675)	(3,844,095)	59,106,560
12/1/37	-	73,917,347	-	(3,525,104)	(5,955,250)	(4,944,285)	59,492,708
12/1/38	-	75,765,280	-	(4,083,758)	(6,238,150)	(4,945,894)	60,497,479
12/1/39	-	77,659,412	-	(3,739,783)	(6,534,375)	(4,947,551)	62,437,703
12/1/40	-	79,600,898	-	(4,049,921)	(6,841,875)	(4,860,896)	63,848,206
12/1/41	-	81,590,920	-	(3,828,253)	(7,165,944)	(3,075,409)	67,521,314
12/1/42	-	83,630,693	-	(4,596,306)	(7,505,363)	(2,226,345)	69,302,679
12/1/43	-	85,721,460	-	(4,209,159)	(7,860,859)	(2,340,144)	71,311,299
12/1/44	-	87,864,497	-	(4,558,221)	(8,233,192)	(2,342,065)	72,731,018
12/1/45	-	90,061,109	-	(4,465,497)	(8,623,162)	(2,344,044)	74,628,407
12/1/46	-	92,312,637	-	(5,011,714)	(9,031,603)	(2,346,082)	75,923,238
12/1/47	-	94,620,453	-	(4,737,446)	(9,459,390)	(6,626,429)	73,797,188
12/1/48	-	96,985,964	-	(5,130,318)	(9,907,439)	(9,064,843)	72,883,365
12/1/49	-	99,410,613	-	(5,025,956)	(10,376,710)	(9,067,070)	74,940,878
12/1/50	-	101,895,879	-	(5,822,461)	(10,868,208)	(9,069,363)	76,135,846
12/1/51	-	104,443,276	-	(5,144,852)	(11,382,987)	(9,213,520)	78,701,917
12/1/52	-	-	-	-	-	-	-

Note that Availability Payments are Balloon Payments, most successful P3's have Flat Availability Payments

The \$2,332,602,885 in "Availability Payment" is what KABATA predicts will be established by the P3 contract, and will be paid to the P3 over the life of the project. However with half the toll revenue and higher interest Private Activity Bonds rather than TIFIA loans, these State Guaranteed payments are what Jeff Stark of the AG's office said the state will need to pay into the unlimited "Reserve Fund" in the proposed HB 23 / S 13, **regardless** of how much toll revenue is received.

Knik Arm Bridge and Toll Authority
Base Case: Normal Traffic Projections-TIFIA at 49%
Private Model - Availability Payment Structure

Phase I

\$72.8 M, or 7% of project cost is what the P3 partner is "investing"

COVERAGE

Date	Cash Available for Debt Service	PABs Debt Service	Senior PABs Lien Coverage	TIFIA DS	Total Coverage	Total Coverage (inc. O&M)	Net Cashflow	PV of Net Cash Flow 12.0%
Total	1,925,217,738	(274,193,572)		(913,116,806)			737,907,360	72,787,288
12/1/14	-	-		-			-	-
12/1/15	-	-		-			-	-
12/1/16	-	-		-			-	-
12/1/17	20,645,744	(8,884,049)	2.32x	-	2.32x	2.32x	11,761,695	7,379,433
12/1/18	23,516,304	(8,884,049)	2.65x	-	2.65x	2.65x	14,632,255	8,170,575
12/1/19	28,911,296	(8,884,049)	3.25x	-	3.25x	3.25x	20,027,247	9,952,928
12/1/20	30,107,617	(14,434,049)	2.09x	(8,120,768)	1.33x	1.33x	7,552,800	3,340,611
12/1/21	35,555,517	(10,500,984)	3.39x	(16,127,688)	1.34x	1.34x	8,926,845	3,514,019
12/1/22	36,423,856	(11,162,677)	3.26x	(16,124,840)	1.33x	1.33x	9,136,340	3,200,860
12/1/23	38,090,044	(12,409,621)	3.07x	(16,121,992)	1.34x	1.34x	9,558,432	2,980,364
12/1/24	38,143,259	(12,453,395)	3.06x	(16,119,144)	1.33x	1.33x	9,570,721	2,655,924
12/1/25	39,963,763	(13,814,220)	2.89x	(16,116,296)	1.34x	1.34x	10,033,248	2,477,997
12/1/26	41,361,521	(14,870,392)	2.78x	(16,113,448)	1.33x	1.33x	10,377,682	2,281,119
12/1/27	43,291,083	(16,315,907)	2.65x	(16,110,600)	1.34x	1.34x	10,864,577	2,125,439
12/1/28	44,911,387	(17,536,893)	2.56x	(16,107,751)	1.33x	1.33x	11,266,743	1,961,654
12/1/29	48,133,529	(19,951,179)	2.41x	(16,104,903)	1.33x	1.33x	12,077,447	1,871,490
12/1/30	49,676,550	(21,105,435)	2.35x	(16,102,055)	1.34x	1.34x	12,469,060	1,719,627
12/1/31	52,134,929	(22,956,606)	2.27x	(16,099,207)	1.33x	1.33x	13,079,116	1,605,341
12/1/32	53,212,421	(23,761,622)	2.24x	(16,096,359)	1.34x	1.34x	13,354,440	1,458,824
12/1/33	55,541,127	(25,507,352)	2.18x	(16,093,511)	1.34x	1.34x	13,940,264	1,355,303
12/1/34	72,739,675	(10,761,099)	6.76x	(43,725,955)	1.33x	1.33x	18,252,621	1,579,352
12/1/35	59,598,312	-		(44,642,930)	1.34x	1.34x	14,955,382	1,151,700
12/1/36	59,106,560	-		(44,274,576)	1.34x	1.34x	14,831,983	1,016,552
12/1/37	59,492,708	-		(44,563,826)	1.34x	1.34x	14,928,882	910,638
12/1/38	60,497,479	-		(45,316,463)	1.34x	1.34x	15,181,015	824,152
12/1/39	62,437,703	-		(46,769,815)	1.34x	1.34x	15,667,888	757,017
12/1/40	63,848,206	-		(47,826,371)	1.34x	1.34x	16,021,834	688,962
12/1/41	67,521,314	-		(50,577,763)	1.34x	1.34x	16,943,551	648,449
12/1/42	69,302,679	-		(51,912,119)	1.34x	1.34x	17,390,560	592,343
12/1/43	71,311,299	-		(53,416,703)	1.34x	1.34x	17,894,596	542,463
12/1/44	72,731,018	-		(54,480,163)	1.34x	1.34x	18,250,855	492,402
12/1/45	74,628,407	-		(55,901,428)	1.34x	1.34x	18,726,979	449,668
12/1/46	75,923,238	-		(56,871,340)	1.34x	1.34x	19,051,899	407,147
12/1/47	73,797,188	-		(55,278,790)	1.34x	1.34x	18,518,398	352,212
12/1/48	72,883,365	-		-			72,883,365	1,233,724
12/1/49	74,940,878	-		-			74,940,878	1,129,007
12/1/50	76,135,846	-		-			76,135,846	1,020,834
12/1/51	78,701,917	-		-			78,701,917	939,160

P3 Contractor receives net cashflow

The \$737 M shows what a great deal this public private "partnership" is for the contractor, not so much for the state. Subtracting the contractor's \$73 M equity from the contractor's \$737 M net cash flow gives a Profit of \$664 Million.

Why should a AAA credit state that can borrow long term at 3%, guarantee a contract that promises 12% cumulative interest? The "Real Cost" paper uses "only" a 10% return, because that is the one cost that we think KABATA underestimated.

This \$46,421,197 being taken out by the P3 Contractor BEFORE the first payment of Federal TIFIA loans is not allowed by present TIFIA guidelines KABATA claims that they are "grandfathered". In the Real World, no one is allowed to take out equity before the creditors start to be repaid.

Knik Arm Bridge and Toll Authority
Base Case: Normal Traffic Projections-TIFIA at 49%
Private Model - Availability Payment Structure

Phase I

ANNUAL DEBT SERVICE

Date	GP Tax-Exempt CIB Annual DS	GP Tax-Exempt CAB Annual DS	GP Capi Interest Draws	Total GP Tax-Exempt Annual DS	PABS Tax-Exempt CIB Annual DS	Capi Interest Draws	Prepaid Interest Draws	PABS Annual DS	TIFIA Annual DS	Net Annual DS
Total	-	-	-	-	300,845,719	(26,652,147)	-	274,193,572	913,116,806	1,187,310,378
12/1/14	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/15	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/16	-	-	-	-	8,884,049	(8,884,049)	-	-	-	-
12/1/17	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/18	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/19	-	-	-	-	8,884,049	-	-	8,884,049	-	8,884,049
12/1/20	-	-	-	-	14,434,049	-	-	14,434,049	8,120,768	22,554,817
12/1/21	-	-	-	-	10,500,984	-	-	10,500,984	16,127,688	26,628,672
12/1/22	-	-	-	-	11,162,677	-	-	11,162,677	16,124,840	27,287,516
12/1/23	-	-	-	-	12,409,621	-	-	12,409,621	16,121,992	28,531,612
12/1/24	-	-	-	-	12,453,395	-	-	12,453,395	16,119,144	28,572,538
12/1/25	-	-	-	-	13,814,220	-	-	13,814,220	16,116,296	29,930,515
12/1/26	-	-	-	-	14,870,392	-	-	14,870,392	16,113,448	30,983,839
12/1/27	-	-	-	-	16,315,907	-	-	16,315,907	16,110,600	32,426,506
12/1/28	-	-	-	-	17,536,893	-	-	17,536,893	16,107,751	33,644,644
12/1/29	-	-	-	-	19,951,179	-	-	19,951,179	16,104,903	36,056,082
12/1/30	-	-	-	-	21,105,435	-	-	21,105,435	16,102,055	37,207,490
12/1/31	-	-	-	-	22,956,606	-	-	22,956,606	16,099,207	39,055,813
12/1/32	-	-	-	-	23,761,622	-	-	23,761,622	16,096,359	39,857,981
12/1/33	-	-	-	-	25,507,352	-	-	25,507,352	16,093,511	41,600,863
12/1/34	-	-	-	-	10,761,099	-	-	10,761,099	43,725,955	54,487,054
12/1/35	-	-	-	-	-	-	-	-	44,642,930	44,642,930
12/1/36	-	-	-	-	-	-	-	-	44,274,576	44,274,576
12/1/37	-	-	-	-	-	-	-	-	44,563,826	44,563,826
12/1/38	-	-	-	-	-	-	-	-	45,316,463	45,316,463
12/1/39	-	-	-	-	-	-	-	-	46,769,815	46,769,815
12/1/40	-	-	-	-	-	-	-	-	47,826,371	47,826,371
12/1/41	-	-	-	-	-	-	-	-	50,577,763	50,577,763
12/1/42	-	-	-	-	-	-	-	-	51,912,119	51,912,119
12/1/43	-	-	-	-	-	-	-	-	53,416,703	53,416,703
12/1/44	-	-	-	-	-	-	-	-	54,480,163	54,480,163
12/1/45	-	-	-	-	-	-	-	-	55,901,428	55,901,428
12/1/46	-	-	-	-	-	-	-	-	56,871,340	56,871,340
12/1/47	-	-	-	-	-	-	-	-	55,278,790	55,278,790
12/1/48	-	-	-	-	-	-	-	-	-	-
12/1/49	-	-	-	-	-	-	-	-	-	-
12/1/50	-	-	-	-	-	-	-	-	-	-
12/1/51	-	-	-	-	-	-	-	-	-	-
12/1/52	-	-	-	-	-	-	-	-	-	-
12/1/53	-	-	-	-	-	-	-	-	-	-
12/1/54	-	-	-	-	-	-	-	-	-	-
12/1/55	-	-	-	-	-	-	-	-	-	-
12/1/56	-	-	-	-	-	-	-	-	-	-
12/1/57	-	-	-	-	-	-	-	-	-	-
12/1/58	-	-	-	-	-	-	-	-	-	-
12/1/59	-	-	-	-	-	-	-	-	-	-
12/1/60	-	-	-	-	-	-	-	-	-	-
12/1/61	-	-	-	-	-	-	-	-	-	-
12/1/62	-	-	-	-	-	-	-	-	-	-

Refer to the \$4,232,333,723 Toll Revenue shown in the 2nd column of the next page, page 6. KABATA's "Pro-Forma" in their 2011 TIGER grant application (available at <http://www.knikarmbridge.com/2011TIGER/ExhibitD.pdf>) showed a forecasted Toll Revenue of \$4.8 billion. This 2012 Pro-Forma shows \$4.2 billion, a drop of nearly \$600 million.

That is 4 times the \$150 million that KABATA is requesting for the "Reserve Fund" that would be established by HB 23 / SB 13. This was because of lower traffic forecasts as well as other factors, but shows how "flexible" both the estimated Toll Revenues as well as construction and financing costs can be. While KABATA's various "Pro-Forma" over the years are inching closer to reality, we still think that toll revenues are still overestimated by at least a factor of 2.

If different crystal balls, only a year apart, show revenue forecast differences of \$600 million, this "flexibility" should concern legislators, especially because the Toll Revenues that go into the "Reserve Fund are likely to be far less than the annual "Availability Payments".

Through the "Reserve Fund" proposed in HB 23 / SB 13, the State would be guaranteeing all the funds necessary to meet the annual "Availability Payments". We expect that KABATA will annually be asking the State to "Replenish" the "Reserve Fund".

Knik Arm Bridge and Toll Authority
Base Case: Normal Traffic Projections-TIFIA at 49%
Private Model - Availability Payment Structure

Phase I

The P3 contractor is responsible for Toll Collection, O&M, etc.
 Why \$3 to \$7 million a year for KABATA to administer a contract?

Receipts predicted to exceed costs only after 9 years of operation, and this kind of "Negative Equity" or "Negative Amortization" loans are no longer made, at least in the Residential Housing Market.

AVAILABILITY PAYMENT SURPLUS (SHORTFALL)

See comment pg. 5

Date	Toll Revenue	Availability Payment	GP Total Annual DS	KABATA Administrative Costs	Net State Surplus (Shortfall)	PV @ 5.000%	Cumulative Deficit/Return
Total	4,232,444,723	(2,332,602,885)	-	(174,928,270)	1,724,913,568	436,668,726	
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	-	-	-	-	-	-
12/1/17	16,018,701	(24,729,500)	-	(3,019,041)	(11,729,840)	(9,627,226)	(11,729,840)
12/1/18	22,836,943	(28,118,680)	-	(3,103,849)	(8,385,586)	(6,550,806)	(20,115,426)
12/1/19	29,655,186	(33,563,427)	-	(3,191,057)	(7,099,299)	(5,278,725)	(27,214,725)
12/1/20	36,473,428	(35,065,964)	-	(3,280,734)	(1,873,270)	(1,325,764)	(29,087,995)
12/1/21	43,291,671	(40,628,603)	-	(3,372,949)	(709,881)	(478,194)	(29,797,876)
12/1/22	48,083,795	(42,253,747)	-	(3,467,776)	2,362,272	1,514,608	(27,435,604)
12/1/23	52,875,920	(43,943,897)	-	(3,565,289)	5,366,734	3,275,162	(22,068,870)
12/1/24	57,668,044	(45,701,653)	-	(3,665,563)	8,300,828	4,821,658	(13,768,041)
12/1/25	62,460,169	(47,529,719)	-	(3,768,680)	11,161,771	6,171,068	(2,606,271)
12/1/26	67,252,294	(49,430,908)	-	(3,874,718)	13,946,668	7,339,221	11,340,398
12/1/27	74,284,285	(51,408,144)	-	(3,983,762)	18,892,380	9,462,773	30,232,778
12/1/28	81,316,277	(53,464,470)	-	(4,095,897)	23,755,911	11,325,457	53,988,688
12/1/29	88,348,269	(55,603,048)	-	(4,211,212)	28,534,009	12,947,893	82,522,697
12/1/30	95,380,261	(57,827,170)	-	(4,329,797)	33,223,293	14,349,318	115,745,990
12/1/31	102,412,252	(60,140,257)	-	(4,451,746)	37,820,249	15,547,667	153,566,240
12/1/32	109,444,244	(62,545,867)	-	(4,577,155)	42,321,222	16,559,656	195,887,462
12/1/33	116,476,236	(65,047,702)	-	(4,706,122)	46,722,412	17,400,857	242,609,873
12/1/34	123,508,228	(67,649,610)	-	(4,838,750)	51,019,867	18,085,769	293,629,741
12/1/35	130,540,220	(70,355,595)	-	(4,975,143)	55,209,482	18,627,887	348,839,222
12/1/36	137,572,211	(72,114,485)	-	(5,115,408)	60,342,318	19,378,680	409,181,541
12/1/37	144,182,963	(73,917,347)	-	(5,259,657)	65,005,959	19,870,447	474,187,500
12/1/38	151,085,615	(75,765,280)	-	(5,408,003)	69,912,332	20,340,448	544,099,832
12/1/39	158,200,196	(77,659,412)	-	(5,560,563)	74,980,221	20,763,746	619,080,053
12/1/40	165,493,715	(79,600,898)	-	(5,717,458)	80,175,360	21,132,564	699,255,413
12/1/41	169,631,058	(81,590,920)	-	(5,878,811)	82,161,327	20,612,515	781,416,740
12/1/42	173,871,834	(83,630,693)	-	(6,025,781)	84,215,360	20,109,771	865,632,100
12/1/43	178,218,630	(85,721,460)	-	(6,176,426)	86,320,744	19,619,288	951,952,844
12/1/44	182,674,096	(87,864,497)	-	(6,330,837)	88,478,763	19,140,769	1,040,431,606
12/1/45	187,240,948	(90,061,109)	-	(6,489,108)	90,690,732	18,673,921	1,131,122,338
12/1/46	191,921,972	(92,312,637)	-	(6,651,335)	92,958,000	18,218,460	1,224,080,338
12/1/47	196,720,022	(94,620,453)	-	(6,817,619)	95,281,950	17,774,107	1,319,362,288
12/1/48	201,638,022	(96,985,964)	-	(6,988,059)	97,663,999	17,340,592	1,417,026,286
12/1/49	206,678,973	(99,410,613)	-	(7,162,761)	100,105,599	16,917,651	1,517,131,885
12/1/50	211,845,947	(101,895,879)	-	(7,341,830)	102,608,239	16,505,025	1,619,740,123
12/1/51	217,142,096	(104,443,276)	-	(7,525,375)	105,173,445	16,102,464	1,724,913,568
12/1/52							

Max amount of revenue from a 2 lane bridge

2030 is when KABATA says they will build the 4 lane bridge

CDM Smith's forecast stops at 2040

These are basically the toll revenue number from CDM Smith's Aug. 23, 2012 revised Toll Estimate. Compared to 2011 TIGER grant application, the toll revenues are slightly lower for 2027 to 2031, and increased between 2032 and 2036.

Note that KABATA Traffic & toll consultant, CDM Smith's, predictions stop at 2040 and the revenues shown here are apparently an extrapolation, without documented substantiation.

KABATA's Document available at: <http://www.knikarmbridge.com/documents/MemoforAugust2012TandRforecastupdated8.23.2012.pdf>

As discussed on Table 1 of CDM Smith's Aug 23, 2012 revised Toll Estimate, between 2027 and 2030 KABATA is counting on getting the Toll Revenue from more than 22,500 Average Daily Trips traffic that will only fit on a 4 lane road and bridge, however, they are not predicting that the expansion from 2 lane to 4 lanes will occur until 2030 and do not show the costs of that expansion.

That is "Impossibly Derived Revenue".

Note also that KABATA is predicting that the 2 lane bridge will be "maxed out" just after their predicted revenue exceeds their costs!

Based on CDM Smith's track record, We believe these Toll Revenue amounts are at least double what actual revenue will be. See: <http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712>

STATE RESERVE FUND

Date	Minimum Reserve Fund Requirement	Reserve Fund Release Requirement	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Ending Balance
Total				1,754,711,444	119,583,276	-	(29,797,876)	(1,994,496,844)	
12/1/14	-	-	150,000,000	-	4,500,000	-	-	-	154,500,000
12/1/15	-	-	154,500,000	-	4,635,000	-	-	-	159,135,000
12/1/16	-	-	159,135,000	-	4,774,050	-	-	-	163,909,050
12/1/17	38,290,222	47,862,778	163,909,050	-	4,917,272	-	(11,729,840)	-	157,096,481
12/1/18	26,510,784	37,143,155	157,096,481	-	4,712,894	-	(8,385,586)	-	153,423,790
12/1/19	24,804,151	36,714,424	153,423,790	-	4,602,714	-	(7,099,299)	-	150,927,205
12/1/20	21,572,724	34,379,701	150,927,205	-	4,527,816	-	(1,873,270)	-	153,581,751
12/1/21	18,419,476	32,142,702	153,581,751	-	4,607,453	-	(709,881)	-	157,479,322
12/1/22	13,747,499	28,007,292	157,479,322	2,362,272	4,724,380	-	-	-	164,565,974
12/1/23	11,186,125	26,003,605	164,565,974	5,366,734	4,936,979	-	-	-	174,869,688
12/1/24	8,712,576	24,109,700	174,869,688	8,300,828	5,246,091	-	-	-	188,416,606
12/1/25	6,330,327	22,329,920	188,416,606	11,161,771	5,652,498	-	-	-	205,230,875
12/1/26	4,042,990	20,668,780	205,230,875	13,946,668	6,156,926	-	-	-	225,334,470
12/1/27	1,854,319	19,130,972	225,334,470	18,892,380	6,760,034	-	-	-	250,986,884
12/1/28	-	15,481,512	250,986,884	23,755,911	7,529,607	-	-	-	282,272,401
12/1/29	-	11,965,338	282,272,401	28,534,009	8,468,172	-	-	-	319,274,582
12/1/30	-	8,587,727	319,274,582	33,223,293	9,578,237	-	-	-	362,076,113
12/1/31	-	5,354,164	362,076,113	37,820,249	10,862,283	-	-	-	410,758,646
12/1/32	-	2,270,351	410,758,646	42,321,222	12,322,759	-	-	(463,132,276)	2,270,351
12/1/33	-	-	2,270,351	46,722,412	68,111	-	-	(49,060,873)	-
12/1/34	-	-	-	51,019,867	-	-	-	(51,019,867)	-
12/1/35	-	-	-	55,209,482	-	-	-	(55,209,482)	-
12/1/36	-	-	-	60,342,318	-	-	-	(60,342,318)	-
12/1/37	-	-	-	65,005,959	-	-	-	(65,005,959)	-
12/1/38	-	-	-	69,912,332	-	-	-	(69,912,332)	-
12/1/39	-	-	-	74,980,221	-	-	-	(74,980,221)	-
12/1/40	-	-	-	80,175,360	-	-	-	(80,175,360)	-
12/1/41	-	-	-	82,161,327	-	-	-	(82,161,327)	-
12/1/42	-	-	-	84,215,360	-	-	-	(84,215,360)	-
12/1/43	-	-	-	86,320,744	-	-	-	(86,320,744)	-
12/1/44	-	-	-	88,478,763	-	-	-	(88,478,763)	-
12/1/45	-	-	-	90,690,732	-	-	-	(90,690,732)	-
12/1/46	-	-	-	92,958,000	-	-	-	(92,958,000)	-
12/1/47	-	-	-	95,281,950	-	-	-	(95,281,950)	-
12/1/48	-	-	-	97,663,999	-	-	-	(97,663,999)	-
12/1/49	-	-	-	100,105,599	-	-	-	(100,105,599)	-
12/1/50	-	-	-	102,608,239	-	-	-	(102,608,239)	-
12/1/51	-	-	-	105,173,445	-	-	-	(105,173,445)	-
12/1/52	-	-	-	-	-	-	-	-	-

1) General Surplus Withdrawals begin once all of Phase II has been financed.

This column shows KABATA's prediction that the \$150 Million appropriated to the "Reserve Fund" will eventually be paid back. Our estimate is that average annual deficits will be \$58 million per year between 2017 and 2035, and an average of \$94 million per year between 2036 and 2051 because of sharply rising annual "Availability Payments". With toll revenues likely to be no more than half of what KABATA predicts, we anticipate the "Reserve Fund" will require annual "replenishment" from the Legislature.

State Replenishment, that KABATA describes as a "Moral Obligation" to pay the P3 Contractor their annual "Availability Payments" is estimated by the "Real Costs" paper at \$2.6 Billion over the life of the contract. Replenishment costs WILL NOT be zero with no TIFIA funding. KABATA needs to provide "Pro-Forma without TIFIA.

The rest of the pages of the Pro-Forma were not annotated, but can be viewed from KABATA's website. See link on the first page. Pages 18 to 20 does show KABATA's estimate of Phase 2 costs to connect to Ingra/Gambell, but the costs to expand the bridge and approach roads from 2 lanes to 4 lanes need to be included in the Phase 1 "Pro-Forma" because \$1.9 billion in Toll Revenue is included in that Phase 1 Pro-Forma after 2026, when the 2-lane bridge is over capacity at 22,500 Average Daily Trips.