

**HB**

**158**

<TARGET><BILL>HB 158</BILL><SUBJECT>HB  
158</SUBJECT><COMM>HFIN27</COMM></TARGET>



# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version HB 158  
Fiscal Note Number \_\_\_\_\_  
Publish Date \_\_\_\_\_

Identifier (file name) HB158-DOT-CO-01-11-12 Dept. Affected DOT&PF  
Title Knik Arm Bridge and Toll Authority Appropriation Design, Engineering & Construction  
Allocation Knik Arm Bridge & Toll Authority  
Sponsor Neuman  
Requester H (FIN) OMB Component Number 2715

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY14	FY15	FY16	FY17
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)						
1002	Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003	GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004	GF	0.0		0.0	0.0	0.0	0.0	0.0
1005	GF/Prgm (DGF)	0.0		0.0	0.0	0.0	0.0	0.0
1037	GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178	temp code (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
	<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>POSITIONS</b>							
Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>	<b>0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
---------------------------	------------	--	------------	------------	------------	------------	------------

Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs \_\_\_\_\_ (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated from 2011 Fiscal Note

Prepared by Brenda Hewitt, Legislative Liaison  
Division Commissioner's Office  
Approved by Marc Luiken  
Commissioner

Phone 465-4772  
Date/Time 1/13/12 8:30 AM  
Date 1/13/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 158

**Analysis**

The DOT&PF budget will not be affected by the development of the project as long as projections for ridership on the bridge and related financial solvency are fulfilled.

**CS FOR HOUSE BILL NO. 158(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SEVENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVE NEUMAN**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to bonds of the Knik Arm Bridge and Toll Authority; relating to**  
2 **reserve funds of the authority; relating to taxes and assessments on a person that is a**  
3 **party to an agreement with the authority; and establishing the Knik Arm Crossing**  
4 **fund."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 **\* Section 1.** AS 19.75.211(a) is repealed and reenacted to read:

7 (a) Notwithstanding any other provision of law, the authority may borrow  
8 money and issue and refund bonds on which the principal and interest are paid out of  
9 and secured by

10 (1) the gross revenue derived by the authority from the ownership, use,  
11 and operation of its toll facilities, including money derived from the fees, rents, tolls,  
12 rates, charges, and other revenue of the authority under this chapter;

13 (2) revenue received by a private person or enterprise that has entered  
14 into a public-private partnership agreement with the authority; or

1 (3) any other revenue or money that the legislature has appropriated  
2 for that purpose, except a state tax or license.

3 \* Sec. 2. AS 19.75.211(c) is amended to read:

4 (c) The authority may issue bonds in an aggregate amount not to exceed  
5 \$600,000,000 [\$500,000,000], plus the cost of issuance.

6 \* Sec. 3. AS 19.75.211 is amended by adding a new subsection to read:

7 (e) Before issuing bonds for the Knik Arm bridge under this section, the  
8 authority shall submit to the state bond committee a description of the bond issue, a  
9 copy of the resolution of the board of directors of the authority supporting the bond  
10 issue, a report setting out the sources and amounts of revenue that will be used for  
11 payment of the principal of and interest on the bonds and the effect the issuance of the  
12 bonds by the authority would have on the ability of the state or political subdivision of  
13 the state to market bonds, and a preliminary prospectus, offering circular, or official  
14 statement relating to the bond issue. Bonds may not be issued unless the state bond  
15 committee finds, based on the information submitted by the authority under this  
16 section and other information that is reasonably available to or requested by the  
17 committee, that either the Knik Arm bridge revenue and other revenue available to the  
18 authority or the revenue of the private person or enterprise under a public-private  
19 partnership agreement entered into by the authority under AS 19.75.111(a) can be  
20 reasonably expected to be adequate for payment of the principal of and interest on the  
21 bonds to be issued and that issuance of the bonds by the authority would not be  
22 expected adversely to affect the ability of the state or its political subdivisions to  
23 market bonds.

24 \* Sec. 4. AS 19.75.221(h) is amended to read:

25 (h) Notwithstanding any other provision of law, the authority may establish  
26 other funds and reserves as the board of directors may determine reasonable and  
27 prudent for the issuance of bonds or for the conduct of the business and affairs of the  
28 authority. The interest earned on or profit derived from these funds and reserves shall  
29 be the property of the authority. Deposits made into a reserve fund established  
30 under this section must include

31 (1) revenue derived by the authority from the ownership, use, or

1 operation of toll facilities, including fees, rents, tolls, rates, charges, or other  
 2 revenue of the authority:

3 (2) money that the legislature has appropriated for that purpose;  
 4 and

5 (3) other money that may be made available to the authority from  
 6 other sources.

7 \* **Sec. 5.** AS 19.75.221 is amended by adding new subsections to read:

8 (i) Money in a reserve fund established under (h) of this section

9 (1) shall be used only for

10 (A) the payment of monetary obligations, liabilities, and  
 11 indebtedness of the authority, including termination payment obligations,  
 12 under agreements for the financing, design, construction, maintenance,  
 13 improvement, or operation of facilities, properties, or projects of the authority;

14 (B) the performance of the authority's statutory functions,  
 15 including the authority's overhead and administrative costs and working  
 16 capital; and

17 (C) planning, permitting, design, acquisition, construction,  
 18 maintenance, improvement, or operation of transportation-related projects,  
 19 facilities, properties, systems, or equipment of the authority or other public  
 20 entities, including expansions, extensions, and capacity improvements, eligible  
 21 under applicable federal and state law to be funded from toll revenue;

22 (2) may not be used for the purpose of planning, permitting, design,  
 23 acquisition, construction, maintenance, improvement, or operation of projects,  
 24 facilities, properties, systems, or equipment under (1)(C) of this subsection if the  
 25 withdrawal would reduce the amount in the reserve fund to less than the reserve fund  
 26 requirement.

27 (j) Income or interest earned by, or increment to, a reserve fund established  
 28 under (h) of this section, from the investment of all or part of the fund, may be  
 29 transferred by the authority to other funds or accounts of the authority if the transfer  
 30 does not reduce the amount of a reserve fund below the reserve fund requirement.

31 (k) In computing the amount of a reserve fund established under (h) of this

1 section, securities in which all or a portion of the fund is invested shall be valued by a  
 2 reasonable method established by the authority by resolution or established by the  
 3 terms of the agreement for which the fund serves as security. Valuation must include  
 4 the amount of interest earned or accrued as of the date of the valuation.

5 (l) The chair of the board shall annually, not later than December 1, certify in  
 6 writing to the governor and the legislature the amount, if any, required to restore a  
 7 reserve fund established under (h) of this section to the reserve fund requirement. The  
 8 legislature may appropriate to the authority the amount certified by the chair of the  
 9 board that is needed to restore a reserve fund to the reserve fund requirement.

10 (m) In this section, "reserve fund requirement" means the amount required to  
 11 be on deposit in a reserve fund established under (h) of this section as of the date of  
 12 computation, as determined by resolution of the authority or by the terms of the  
 13 agreement for which the fund serves as security.

14 \* **Sec. 6.** AS 19.75.261 is amended to read:

15 **Sec. 19.75.261. Exemption from taxation.** The real and personal property of  
 16 the authority and its assets, income, and receipts are declared to be the property of a  
 17 political subdivision of the state and are exempt from all taxes and special assessments  
 18 of the state or a political subdivision of the state. Notwithstanding any law to the  
 19 contrary, rights and interests in real and personal property, assets, income, and  
 20 receipts, including concession, franchise, leasehold, or other real or personal  
 21 property rights and interests, held by a private person or enterprise under a  
 22 public-private partnership agreement entered into under this chapter, except any  
 23 rights and interests of the private person in property serving a business,  
 24 commercial, or other purpose not necessary to operate the facilities, properties,  
 25 or projects of the authority, shall be exempt from all ad valorem taxes on real or  
 26 personal property and special property tax assessments of the state or a political  
 27 subdivision of the state. All bonds of the authority are declared to be issued by a  
 28 political subdivision of the state and for an essential public and governmental purpose.  
 29 The bonds, the interest on the bonds, the income from the bonds and the transfer of the  
 30 bonds, and all assets, income, and receipts pledged to pay or secure the payment of the  
 31 bonds or interest on the bonds are, at all times, exempt from taxation by or under the

1 authority of the state, except for inheritance and estate taxes and taxes on transfers by  
 2 or in contemplation of death. Nothing in this section affects or limits an exemption  
 3 from license fees, property taxes, or excise, income, or other taxes provided under any  
 4 other law [, NOR DOES IT CREATE A TAX EXEMPTION WITH RESPECT TO  
 5 THE INTEREST OF ANY BUSINESS ENTERPRISE OR OTHER PERSON,  
 6 OTHER THAN THE AUTHORITY, IN ANY PROPERTY, ASSETS, INCOME,  
 7 RECEIPTS, PROJECT, OR LEASE, REGARDLESS OF WHETHER FINANCED  
 8 UNDER THIS CHAPTER].

9 \* **Sec. 7.** AS 19.75 is amended by adding a new section to article 2 to read:

10 **Sec. 19.75.345. Knik Arm Crossing fund.** (a) The Knik Arm Crossing fund is  
 11 established as a separate fund in the general fund. The fund consists of

12 (1) money appropriated to the fund by the legislature;

13 (2) gifts, bequests, contributions from other sources, and federal  
 14 money appropriated to the fund;

15 (3) interest earned on the fund balance and appropriated to the fund;

16 and

17 (4) investments, to be managed by the Department of Revenue, which  
 18 shall be the fiduciary of the fund under AS 37.10.071.

19 (b) The fund is not a dedicated fund.

20 (c) Money in the fund may be transferred by the Department of Revenue to the  
 21 authority for the purposes listed in this section.

22 (d) On a date determined by the authority but not before the board of directors  
 23 of the authority executes a public-private partnership agreement under  
 24 AS 19.75.111(a)(5)(B) for design, construction, and maintenance of the Knik Arm  
 25 Crossing, the Department of Revenue shall transfer money from the fund to the  
 26 authority in an amount necessary to meet the reserve fund requirement. The authority  
 27 shall deposit the money into the reserve fund established in AS 19.75.221(h).

**From:** Denali Drilling, Inc. [<mailto:denali@ak.net>]  
**Sent:** Thursday, March 22, 2012 10:30 AM  
**To:** Rep. Mark Neuman  
**Subject:** HB 158

Dear Representative Neuman:

Developing and improving transportation infrastructure, such as constructing roads and bridges is critical to the expansion and development of our State's natural resources. Some projects by their location and nature have a statewide significance. The proposed Knik Arm Bridge will provide access to vast undeveloped acreage as well as an alternate route for the transportation of people and goods along one of our busiest corridors. It is a project of statewide significance. Hasn't it been decades since there have been a major infrastructure built to improve the State of Alaska?

Denali Drilling supports a healthy economy and the economic development of Alaska. We look at infrastructure development as crucial for our economy and our future. We believe the Knik Arm Crossing is a project that embodies the sustainable economic development and job creation that we hold at the forefront.

With some of the more difficult federal approvals in hand, the project has gained some new momentum. The three shortlisted "teams" include many Alaskan companies that employ many Alaskans.

I urge you to support HB 158.

Hal Ingalls, CEO  
Denali Drilling, Inc.  
8240 Petersburg Street  
Anchorage, AK 99507



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

---

8005 Schoon Street • Anchorage, Alaska 99518  
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706  
Telephone (907) 452-1809 • Fax (907) 456-8599

March 21, 2012

Representative Mark Neuman  
State Capitol, Room 513  
Juneau, AK 99801-1182

Re: HB 158

Dear Representative ~~Neuman~~: *Mark*

Developing and improving transportation infrastructure, such as constructing roads and bridges is critical to the expansion and development of our State's natural resources. Some projects by their location and nature have a statewide significance. The proposed Knik Arm Bridge will provide access to vast undeveloped acreage as well as an alternate route for the transport of people and goods along one of our busiest corridors. It is one of these projects of statewide significance.

The AGC supports a healthy economy and the economic development of Alaska. We look at infrastructure development as crucial for our economy and our future. We believe the Knik Arm Crossing is a project that embodies the sustainable economic development and job creation that we hold at the forefront.

With some of the more difficult federal approvals in hand, the project has gained some new momentum. The three shortlisted "teams" include many Alaskan companies that employ many Alaskans, some of whom you might know.

There is a vocal NIMBYattitude today, which only because of its volume seems pervasive. If that attitude was as loud in the past as it is today, we might not have such important infrastructure as the Parks, the Dalton or the Seward Highways, or even TAPS.

Thank you for sponsoring HB 158 and for your support of this project.

Sincerely,

John MacKinnon  
Executive Director  
Associated General Contractors of Alaska

# THEN AND NOW: A HISTORY OF THE KNIK ARM CROSSING



## Southcentral Alaska: 100 Years of Development

Over the last century, Southcentral Alaska has been characterized by drive, determination and development. At the heart of Southcentral is the Anchorage metropolitan area, a region that has experienced continual expansion since the early part of the 20<sup>th</sup> century.

An important transportation hub, Cook Inlet functioned as a shipping center for the state's mining industry. In 1914, the Alaska Engineering Commission established Ship Creek as a work and supply camp for construction of the Alaska Railroad, creating a town site that is now the city of Anchorage. The Matanuska-Susitna (Mat-Su) Borough also underwent great change and development, including the "New Deal," an agricultural colonization enacted by the federal government in the 1930s, and construction of the Glenn Highway as a way of accessing the colony.

The region continued to expand as the military established a strong presence in Alaska during the 1940s. Because control of Pacific transportation routes was so vital, Gen. Billy Mitchell told Congress in 1935, "I believe that in the future, whoever

*Continued inside:*



### Ship Creek - 1915

Photographer Alberta Pyatt was an employee of Sydney Laurence in 1915 when both were early residents of Ship Creek. She captured this image in early summer.  
(Anchorage Museum of History and Art.)

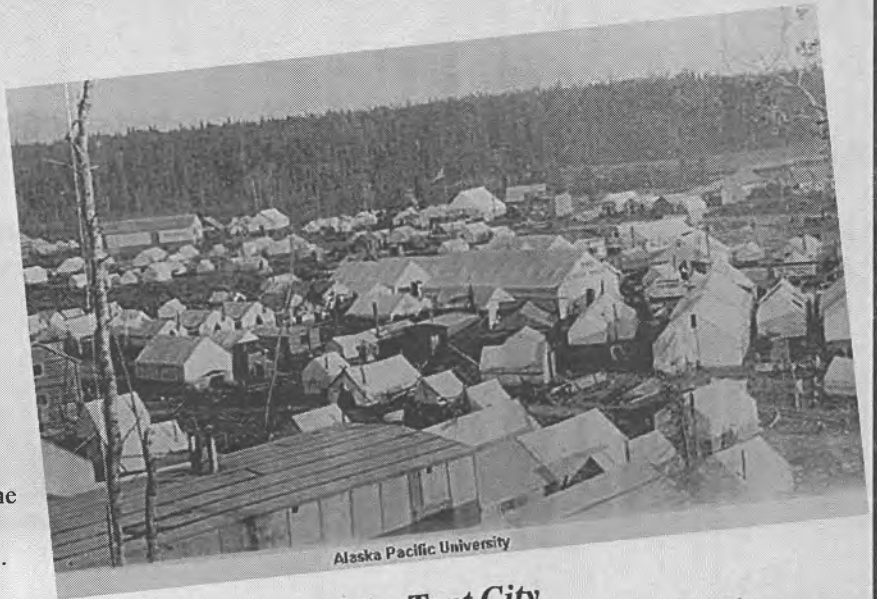
Anchorage Museum of History & Art. Library & Archives.

Continued from page 1

holds Alaska will hold the world. I think it is the most important strategic place in the world.” Anchorage was then established as a major military hub, which brought an increased need for infrastructure. Construction of the Alaska-Canada Highway connected Alaska to the continental highway system and the Glenn Highway was extended to Glennallen, connecting the Anchorage/Mat-Su area to this important road system.

Alaska was granted statehood in 1959. The discovery of oil in Prudhoe Bay in the 1960s spurred construction of both the Trans-Alaska Pipeline System and the 323-mile Parks Highway. Southcentral Alaska’s population surged at this time as workers and their families flooded the region. Many eventually settled in Anchorage and Mat-Su.

The Anchorage metropolitan area now enjoys a more diverse economy with residents employed in a variety of retail, resource development, professional service and city, borough, state and federal occupations. Along with economic diversity comes economic stability. As more individuals move to the area it is imperative we connect Alaska’s two largest population centers – Anchorage and Mat-Su – and provide a more direct route to the Interior.



**Businesses Crowd the Tent City**  
Amid the tents were the Crest House, Anchorage Fish Market, The Panhandle, Montana Pool Room, White Road House and Riverside Hotel.  
(Alaska Pacific University)

## An Early History of the Knik Arm Crossing

More than 80 years of transportation, land use and economic plans and studies for the Upper Cook Inlet region of Alaska have indicated a need to connect the Municipality of Anchorage with the Mat-Su Borough. As early as 1923, Alaska Railroad engineers made preliminary studies of a causeway to shorten the route to Fairbanks. By 1954, a multi-purpose proposal was made by a Seattle engineer for a combination causeway and tidal power plant stretching across Turnagain Arm and Knik Arm and connecting on Fire Island. Just one year later, the Anchorage Chamber of Commerce formed a committee to explore a causeway and commissioned Ivan Bloch and Associates to develop the “Preliminary Appraisal of the Proposed Knik Arm Causeway,” a study that reviewed the economic and defense benefits of a Knik Arm crossing.

*“We wish to point out very strongly that to make the port 100 percent efficient, the causeway should also be built ... and the Chamber of Commerce could do Anchorage no greater service than to continue to push for it at every opportunity.”*

Anchorage News,  
July 2, 1957



# The Knik Arm Crossing Draws Closer to Reality

In 1970, the Alaska Department of Highways commissioned a study of the general subsurface conditions of Knik Arm to identify geological factors that might influence the location and design of a proposed highway crossing. The department hired consulting engineers to study existing data for technical issues associated with engineering a structure across Turnagain Arm. The study concluded that a bridge crossing was the most economically feasible alternative and had the least negative effect on the natural environment.

By 1983 the Alaska Department of Transportation (ADOT) prepared an Economic Feasibility Report concluding the Knik Arm crossing and approach roads were economically feasible under conservative assumptions and compared favorably with other state transportation and infrastructure investments. The Federal Highway Administration (FHWA) and ADOT evaluated alternative corridors for the best combination of positive features and documented their findings in the Final Corridor Alternatives Report created in support of the 1984 draft Environmental Impact Statement (EIS).

From a historical perspective, the most comprehensive study conducted for the Knik Arm Crossing project was a Draft Environmental Impact Statement (DEIS) prepared by ADOT

in 1984 under Gov. Bill Sheffield. An Implementation Options Report by the ADOT was prepared the following year. It presented the design, financial and development options for implementing a Knik Arm crossing. Due to a lack of funding and the dramatic downturn in the state's economy between 1985 and 1990, the project was never advanced beyond the DEIS stage. However, with today's diversified economy and current and projected populations, we are now able to afford this important piece of Alaska infrastructure using tolls.

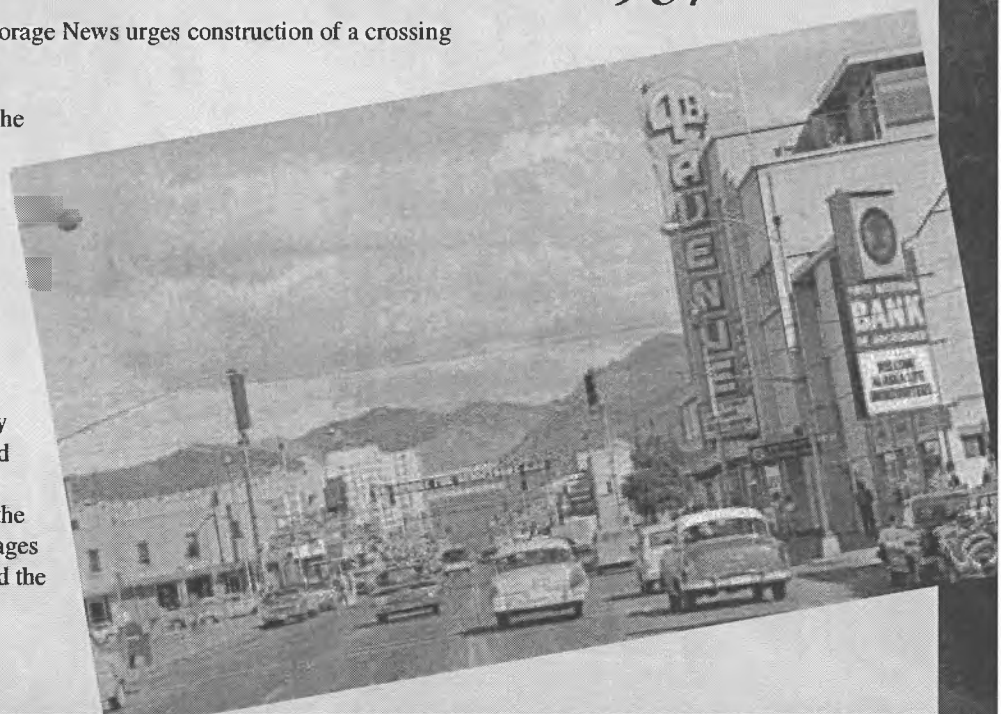
In 2003, the ADOT produced the Knik Arm Crossing Engineering Feasibility and Cost Estimate Update project that revised 1984 DEIS cost estimates using a general alignment deemed the "Hybrid Alignment." The update included a bridge crossing with connecting roads to the north and south. The state established the Knik Arm Bridge and Toll Authority (KABATA) that same year to begin work. By 2004, Congress appropriated funding for advanced planning efforts to include startup and staffing of KABATA, engineering and environmental studies and initiation of a new DEIS. Today we are closer than ever to reaching our goal and we can begin construction as soon as FHWA issues a Record of Decision (ROD).

## Bridge Called 'Desirable' Back in 1957

An article published July 2, 1957 in the Anchorage News urges construction of a crossing over the Knik Arm:

"With the proposed Anchorage port again in the limelight we should not lose sight of the companion proposal which is the construction of a causeway across the narrow channel that connects the Anchorage mainland with the great Susitna valley and its adjacent country north and west."

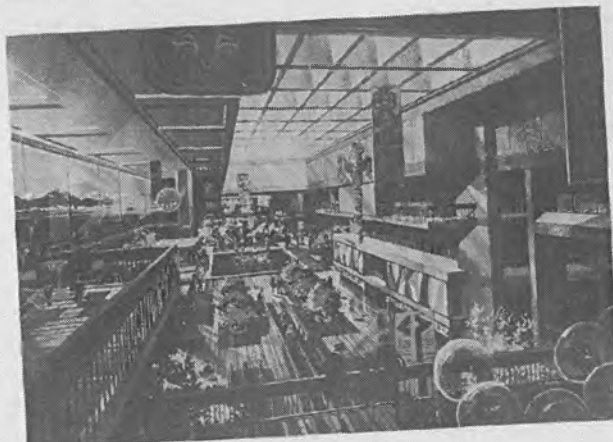
The author goes on to state that "a land connection between Anchorage and the vast mainland of western and interior Alaska is very desirable from the standpoint of evacuation and dispersion." The article also refers to the 1955 Bloch report, saying "it shows very definitely the tremendous engineering and economic advantages that would come to a deep sea port here, should the causeway become a reality."



## Move Over Jetsons: Seward's Success Project is Conceptualized

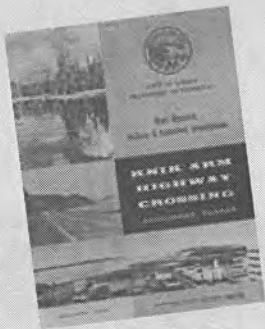
In 1970, Oklahoma-based Great Northern Corp. proposed construction of a climate-controlled residential plaza for 50,000 people. It was to be built just two miles from downtown Anchorage, across the Knik Arm of Cook Inlet. The plan was to construct commercial and residential malls, a sports area, churches, schools, medical facilities, hotels, recreation facilities and a transportation system – all within a completely controlled, 68-degree habitat.

An automated monorail system was planned to link the new city with Anchorage using a gondola-style aerial tramway. It was ambitiously designed to pass through the commercial mall areas, providing both passenger and freight service. Electric taxis, escalators and moving sidewalks would transport people within the habitat.

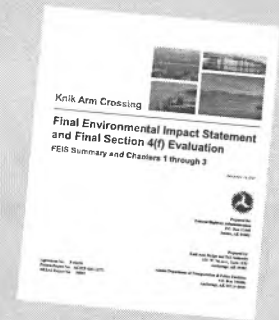


Seward's success commercial building





# KNIK ARM CROSSING: TWO STUDIES. THREE DECADES APART. SAME CONCLUSION.



1972 STUDY CONCLUSIONS*	2008 STUDY CONCLUSIONS**
Construction is feasible	Construction is feasible
Bridge is most suitable type of structure	Bridge is most suitable type of structure
Most favorable crossing site: 1.5 miles upstream from Cairn Point	Most favorable crossing site: 1.5 miles upstream from Cairn Point
Estimated total cost: \$140 million. Inflated at just over 4%: \$687 million in 2011 dollars.	Estimated total cost: \$687 million. Deflated at just over 4%: \$140 million in 1972 dollars.

\*Alaska Department of Highways engineering study

\*\*Final Environmental Impact Statement, prepared in accordance with the National Environmental Policy Act

## Knik Arm Crossing: Bridge to Our Future Video Now Available

Want to see what the Knik Arm Crossing might actually look like, or even fly over as trucks and cars travel across Knik Arm using the bridge? Now you can. The new Knik Arm Crossing project video takes you on a first hand tour of the project – including an animated fly-by of the proposed bridge.

Visit our YouTube channel at [www.youtube.com/alaskaKABATA](http://www.youtube.com/alaskaKABATA) to view the extended or the shorter video as well as individual clips of project information. You can also view it at [www.knikarmbridge.com](http://www.knikarmbridge.com) or on GCI's Channel 1 each Tuesday, Thursday and Saturday at 9 p.m., or by tuning into the Municipality of Anchorage's Channel 10.

Please contact KABATA at (907) 269-6698 for more information or to receive a copy of the DVD.



**Knik Arm Bridge and Toll Authority** 550 W. Seventh Ave., Suite 1850, Anchorage, AK 99501  
[www.knikarmbridge.com](http://www.knikarmbridge.com) | (907) 269-6698 phone | (907) 269-6697 fax

# Knik Arm Crossing Day, 1981

*"Representatives from the Anchorage Chamber of Commerce, Assembly and the Administration; the Mat-Su Borough, including the Mayors of the Borough and Wasilla; and leaders of the State Legislature flew across the Knik Arm on Saturday, March 21, 1981, to celebrate "Knik Crossing Day." Coordinated by the Anchorage Chamber of Commerce, the helicopter trip was a demonstration of support for the idea of building a crossing that would link Anchorage to Point MacKenzie and the lower Mat-Su Valley region. Most business and political leaders in this part of Alaska have agreed for more than 30 years that the concept is vital to the development and growth of the South Central region."—Greater Anchorage Today, the Monthly News Service of the Anchorage Chamber of Commerce, Vol. 17 No. 8, April 1981*



The Knik Crossing Committee picture above is Chaired by Roger Riddel and includes Jack Spake, Lou Dickinson, Eric Peterson, Conn Murray and Bob Penney.



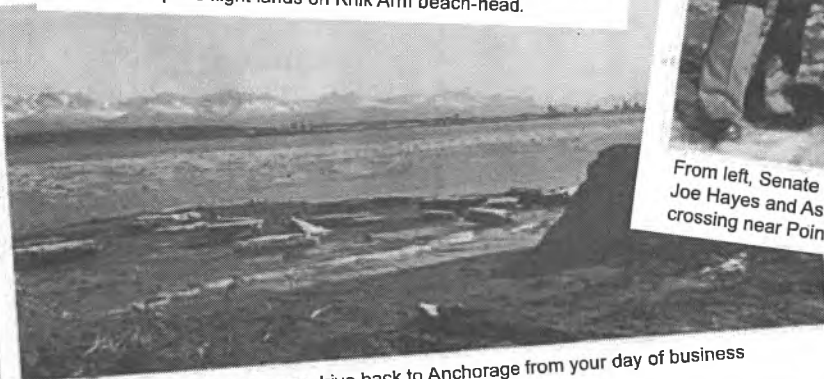
Time out for refreshments (furnished by Sheffield Hotels, now the Westmark)



ERA Helicopters flight lands on Knik Arm beach-head.



From left, Senate President Jalmar Kertulla, House Minority leader Joe Hayes and Assembly Chairman Ben March survey site of Knik crossing near Point McKenzie.



This is what you will see as you drive back to Anchorage from your day of business with the legislature at the capital in Willow.

Secretary Only

Testimony from Bob French at the 12-03-22 HB 158 Hearing

Thank you Chairs for allowing my testimony today. My name is Bob French, and I'm president of the Government Hill Community Council, but these comments are my own.

While the removal of the language that would have made any obligations of KABATA into obligations of the state may make voting for this bill more palatable on the surface, it is important look at what KABATA has been promising the Federal Government and the prospective P3 partners ever since the KABATA bills were introduced in 2011. On page 8 of KABATA's Pro-Forma that was attached to their December 2011 TIGER Grant application, they make the following statement about the \$150 Million "Reserve Fund" that would be established by HB 159. "If ending balance falls below \$50 million, the State will replenish the account back to \$50 million."

I encourage you to look at KABATA's next TIFIA loan application and see if that language is still there. I believe that KABATA will likely be giving assurances of a State Guarantee, even if that specific language is removed. With Bonds issued by a State Agency, it is clear that the full faith and credit of the State is still being pledged, and that to NOT pay the annual "Availability Payments", would threaten Alaska's triple A credit rating.

show that those 'Availability payments' total \$2.98 Billion over the life of projects

Traffic forecasts done for DOT/PF have shown traffic counts approximately half of those predicted by KABATA. Those forecasts were done for the latest MTP update for Anchorage, and the current updates that is currently underway for the Mat-Su Borough's LRTP. Having half of the predicted traffic show up would actually be more accurate than the predictions that KABATA's Traffic Experts, Wilbur Smith Associates have done for 12 toll projects nationwide. A 105 page exposé released in January shows that their predictions actually averaged 2.27 times the traffic that showed up for the first 5 years of operations. Two toll road projects that WSA provided the toll projections for have now gone [redacted] (the Greenville, SC Southern Connector and the San Diego Freeway) and [redacted] have been forced into changes in ownership and/or debt restructuring (the San Joaquin Hills Toll Road, CA and the Pocahontas Parkway, VA).

We have filed a PRA.

So, where does Wilbur Smith think that all of the traffic is coming from? One clue is seen in the traffic analysis zone just on the Mat-Su side of the bridge. In their 2011 Traffic & Revenue forecast, WSA was predicting 13,828 new jobs!<sup>1</sup>

How reasonable is the number of 13,828 jobs at Point MacKenzie in 2035? That number is:

- 1,041 jobs less than the 14,869 jobs than the US Census counted in 2009 as non-farm employment in the entire Mat-Su Borough
- 673 jobs more than the 13,155 jobs the US Census counted in the Kenai Peninsula Borough in 2009

<sup>1</sup> The following page has an interactive map. Click on any of the Traffic Analysis Zones (TAZ) and see KABATA's projected population and employment data.  
<http://www.arcgis.com/home/webmap/viewer.html?webmap=ac12e1bb0f12429087168410467b0e48>

While Chairman Foster says that the traffic estimates seem right, actual data shows otherwise

2 separate

I can't show you the actual MSB #'s because the DOT and MSB has not released that draft data despite our asking for over a month

to the developer

As Mr Stark testified

Pro forma documents

of projects

those payments are supposed to be paid by tolls, but will be paid by the state

This graph from KABATA shows if traffic actually shows up the revenue never exceeds the costs.

- 3,028 jobs more than the 10,800 jobs the US Census counted in the City and Borough of Juneau in 2009
- Over half the 26,479 jobs counted by the US Census in the Fairbanks North Star Borough in 2009
- 4,627 fewer jobs than the 18,455 jobs counted in downtown Anchorage (i.e., not the entire city) when the Municipality of Anchorage was last surveyed in 2002

However, in KABATA's 2007 TIFIA application <sup>2</sup>, the predicted employment in the same areas, was estimated as 6,740 new employment positions in Point MacKenzie area in 2030, less than half what KABATA is predicting in their 2011 forecast!!

So what has changed so that KABATA in 2011 believes there will be more than twice as many jobs at Point MacKenzie than what they estimated five years ago? KABATA's 2007 numbers used a forecasted Mat-Su population of 250,700 in 2030, but their ~~most recent~~ <sup>2011</sup> forecasts are showing approximately 200,000 Mat-Su population in 2035 <sup>3</sup>. With less population, but still needing to show high traffic counts, it appears that KABATA's 2011 forecast included additional jobs in Point MacKenzie in order to justify both north and south bound traffic crossing the bridge to "go to work".

*Those Job #s are also not compatible with the 14 square miles of industrial zones that Rep Neuman referred to.*

I would like to let you know about some recent information that brings serious questions about the reliability of the key issues surrounding the Knik Arm Bridge: it's traffic and revenue projections, as well as its costs.

#### Wilbur Smith Associates "Optimism Bias" causes Toll Road Bankruptcies

A toll road or bridge is all about traffic and revenues. While the traffic estimates that KABATA uses in studies for the AMATS H2H and 2035 MTP update, Ch2MHill, using Scott Goldsmith's population and employment data, projected 17,700 trips a day on the Bridge in 2035 <sup>4</sup>. KABATA's financial plan is based on a traffic forecast of 36,000 trips in 2035, more than double the independent estimate.

Interestingly, that is just what Toll Road experts found when they examined the track record of Wilbur Smith Associates (WSA), in a 105 page exposé that just came out in January <sup>5</sup>. They found

<sup>2</sup>Page A-7 (appendix A, page 72 of the PDF file, TAZ areas 136 and 593, the same TAZ areas in 2011  
<http://www.knikarmbridge.com/documents/KABATATIFIAApplicationExhibitVIII.pdf>

<sup>3</sup> The history of this project's use of population estimates does not inspire confidence in KABATA's revenue forecasts which are based on their consultant trip and toll forecasts. In 2007, Scott Goldsmith of ISER estimated that 204,400 people would live in the Mat Su in 2030. KABATA then hired the Insight Research Corporation of Dallas, Texas to come up with the number of 250,700 for the Mat Su in 2030, see p. 26 of  
<http://www.knikarmbridge.com/documents/IndependentEconomicOverviewandDevelopmentForecast07022007.pdf>.

<sup>4</sup> The AMATS traffic data was received as part of a Public Records Act request from DOT/PF, and copies of that info are available on request. See the following for comments on KABATA's population projections  
<http://knikbridgefacts.org/wp-content/uploads/2011/05/Goldsmith-letter-KABATA-population-projections.pdf>

<sup>5</sup> The full study is available at <http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712>. The 2006 NTRB toll study is at [http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp\\_syn\\_364.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_syn_364.pdf).

that Wilbur Smith Associates (who did the Traffic and Revenue forecasts for KABATA) overestimate revenue by 2.27 times in the first five years a toll facility is open to project. That is, WSA projected 127% more revenue than actual performance.

*The 'Real Costs Paper produced by*

### What is the effect of those toll shortfalls other than bankruptcy?

Jamie Kenworthy, an economist who used to run a small state agency, estimates the shortfall between when the Bridge would open in 2016 and 2035 as \$1.1 Billion, or an average of \$55 million a year<sup>6</sup>. That is about what Anchorage and Mat Su have both received on average over the last ten years in federal and state dollars for all transportation projects. Over the entire 36 year life of the P3 contract, Dr. Kenworthy estimates that the bridge will cost the state at least \$2.5 Billion!

~~It is important to note that many of the roads necessary to make~~  
KABATA promising that the State will "Replenish" the \$150 Million "Reserve Fund" *this a function part of the states transportation system.*

I would think that the Legislature would also want to know that KABATA's TIFIA loan application is making the following promise for your future colleagues about the \$150 Million Reserve fund established by SB 79 or HB 159. "(1) If ending balance falls below \$50 million, the State will replenish the account back to \$50 million." KABATA is promising a blank check from the state. That is what will be necessary if SB 80 and HB158 are passed.

Another interesting fact we found is that KABATA is predicting very large employment numbers in the traffic analysis zones (TAZ) directly adjacent to the Bridge in 2035: 13,828 new jobs!<sup>8</sup>

How reasonable is the number of 13,828 jobs at Point MacKenzie in 2035? That number is:

- 1,041 jobs less than the 14,869 jobs than the US Census counted in 2009 as non-farm employment in the entire Mat-Su Borough
- 673 jobs more than the 13,155 jobs the US Census counted in the Kenai Peninsula Borough in 2009
- 3,028 jobs more than the 10,800 jobs the US Census counted in the City and Borough of Juneau in 2009
- Over half the 26,479 jobs counted by the US Census in the Fairbanks North Star Borough in 2009
- 4,627 fewer jobs than the 18,455 jobs counted in downtown Anchorage (i.e., not the entire city) when the Municipality of Anchorage was last surveyed in 2002

---

Two media stories summarize the poor track record of the traffic and toll projection industry; see <http://www.tollroadsnews.com/node/5726> and [http://www.denverpost.com/tollroads/ci\\_3876477](http://www.denverpost.com/tollroads/ci_3876477)

<sup>6</sup> The Real Costs Paper by Jamie Kenworthy, <http://knikbridgefacts.org/wp-content/uploads/2012/02/The-Real-Finances-of-the-Knik-Arm-Bridge-v3.pdf>

<sup>7</sup> Page 8 and Page 24.2 of <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>

<sup>8</sup> The following page has an interactive map. Click on any of the Traffic Analysis Zones (TAZ) and see KABATA's projected population and employment data.

<http://www.arcgis.com/home/webmap/viewer.html?webmap=ac12e1bb0f12429087168410467b0e48>

However, in KABATA's 2007 TIFIA application<sup>9</sup>, the predicted employment in the same areas, was estimated as 6,740 new employment positions in Point MacKenzie area in 2030, less than half what KABATA is predicting in their 2011 forecast!!

So what has changed so that KABATA in 2011 believes there will be more than twice as many jobs at Point MacKenzie than what they estimated five years ago? KABATA's 2007 numbers used a forecasted Mat-Su population of 250,700 in 2030, but their most recent forecasts are showing approximately 200,000 Mat-Su population in 2035<sup>10</sup>. With less population, but still needing to show high traffic counts, it appears that KABATA's 2011 forecast included additional jobs in Point MacKenzie in order to justify both north and south bound traffic crossing the bridge to "go to work".

**KABATA's Cost Estimates not clear.**

KABATA's cost estimates for both Phase 1 and Phase 2 have varied from \$930 Million in the 2027 LRTP<sup>11</sup>, to between \$1.5 Billion to 1.6 Billion in the 2009 Cost Estimate Review by FHWA<sup>12</sup>, and \$1.073 Billion in KABATA's November 30, 2011 presentation to the Legislature. A new Description of Phase 1A, Phase 1B and Phase 2 was introduced in the 2035 MTP Update<sup>13</sup>, where they started describing Phase 1A, as being the 2 lane bridge and connector roads, and Phase 1B, as including expansion to a 4 lane bridge and approach roads, with Phase 2 being limited to the 4 lane connection to Ingra/Gambell, and 4 lane build-out on the Mat-Su side.

During the February 9th AMATS Technical Advisory Committee public meeting, when it was pointed out that the costs of Phase 1 and Phase 2 listed in the draft 2035 MTP update had dropped \$70 Million from \$1.082 Billion to \$1.012 Billion between the October and January drafts, I would paraphrase the general response from AMATS as, "well their numbers change so often, we don't try to keep up with what they are saying."

In KABATA's November 30, 2011 presentation to the Legislature, they listed the total costs for Phase 1 and 2 as \$1.072 Billion (\$715 M for Phase 1A, \$114 MM for Phase 1B and \$243 MM for

---

<sup>9</sup>Page A-7 (appendix A, page 72 of the PDF file, TAZ areas 136 and 593, the same TAZ areas in 2011  
<http://www.knikarmbridge.com/documents/KABATATIFIAApplicationExhibitVIII.pdf>

<sup>10</sup> The history of this project's use of population estimates does not inspire confidence in KABATA's revenue forecasts which are based on their consultant trip and toll forecasts. In 2007, Scott Goldsmith of ISER estimated that 204,400 people would live in the Mat Su in 2030. KABATA then hired the Insight Research Corporation of Dallas, Texas to come up with the number of 250,700 for the Mat Su in 2030, see p. 26 of  
<http://www.knikarmbridge.com/documents/IndependentEconomicOverviewandDevelopmentForecast07022007.pdf>.

<sup>11</sup> Tables 12-1 and 12-3 from Chapter 12, which added the Knik Arm Bridge to the LRTP.  
<http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/2027Ch12Reval11.pdf>

<sup>12</sup> Page 2 of the Executive Summary of the 2009 Cost Estimate Review for the Knik Arm Bridge.  
<http://knikbridgefacts.org/Knik%20Arm%20CER%202009%20Final%20Report.pdf>

<sup>13</sup> Page 7-32 of Chapter 7 of the Public Hearing Draft of January 3, 2012.  
[http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/MTPChapter-7\\_011112\\_1.pdf](http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/MTPChapter-7_011112_1.pdf)

Phase 2). In a very similar presentation to the Resource Development Council on February 2, 2012, the cost for Phase 1B jumped to \$115 MM<sup>14</sup>.

That contrasts the "Sources and Uses" (the same data used for the MTP Update) listed in KABATA's latest TIFIA grant application<sup>15</sup> from December 30, 2011, of \$1.489 Billion for Phases 1 & 2, but note that the Pro-Forma data does not separate out Phase 1A and 1B costs.

(Note also that the bridge costs will likely have risen, because of the settlement of the lawsuit by the Muni for the Port of Anchorage<sup>16</sup> changed the design at the Port, and because the bridge length was changed from 8,200 feet to 9,200 feet<sup>17</sup> in negotiations with the Corps of Engineers and the National Marine Fisheries Service to reduce siltation at the Port of Anchorage, and reduce impacts on Beluga whales. Both changes will likely increase KABATA's costs.)

### Project needs State Scrutiny

When asked by Planning & Zoning Commissioners in the January 9, 2012 P&Z hearing<sup>18</sup>, if AMATS was going to review the accuracy of KABATA's costs and traffic & revenue projections, the Muni's manager of the MTP Update, Jon Spring, said, no, that goes beyond what AMATS will be doing, and said "It is however, something that the State of Alaska is going to have to look at with a lot of scrutiny, I believe, before they start giving money....." So, I'm here to ask you to do just that.

- Ask KABATA to fully disclose all backup data for their latest cost estimates, including cost break-outs for what they are now calling Phase 1A and Phase 1B, as well as the future Phase 2.
- Ask the Legislative Budget & Audit committee conduct an audit of KABATA expenses on the \$60 million spent to date on the project;
- Ask LB&A to conduct an independent audit of the accuracy of the population and toll numbers used in KABATA's Financial Plan;
- Ask LB&A to complete an audit of past spending and projected future spending, investigate the expected rate of return of state invested dollars, and make a recommendation as to whether further state investment in this enterprise is fiscally prudent;

<sup>14</sup> Pages 15 and 18 from this powerpoint <http://www.akrdc.org/membership/events/breakfast/1112/foster.pdf>

<sup>15</sup> The KABATA cost estimate numbers are from the Citigroup financial plan done 12/16/11 for KABATA's TIFIA preliminary federal loan application, Find KABATA's update to their March 2011 TIFIA loan Letter of Interest here <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>

The original March 2011 TIFIA LOI is here <http://www.knikarmbridge.com/TIFIA.html>

<sup>16</sup> <http://www.adn.com/2011/10/08/2110656/city-dropping-lawsuit-over-knik.html>

<sup>17</sup> Page 3 of notice from Corps of Engineers  
[http://www.poa.usace.army.mil/reg/PN\\_Scanned/2011%20November/POA-2005-97.pdf](http://www.poa.usace.army.mil/reg/PN_Scanned/2011%20November/POA-2005-97.pdf)

<sup>18</sup> Mr. Spring's quote is in response to a question at minute 41:30 and the actual quote is at 42:30. Refer to the archived videos & agendas for the PZC <http://www.muni.org/Residents/Pages/MuniMeetings.aspx>

extend  
LB&A  
audit  
↓

\$58

- Consider what other Transportation Projects that are eligible for Federal Funding could be funded using the approximately ~~\$50~~ \$58 Million remaining from the original Earmark if those funds are no longer "set aside" for the Knik Arm Bridge.

Thanks for your attention and I am available for any questions.

Bob French  
907-240-1744

*"the monetary obligations incurred by the authority under the partnerships or contracts are obligations of the state, and satisfaction of those obligations from funds other than authority funds is subject to appropriation."*



# KNIK ARM CROSSING

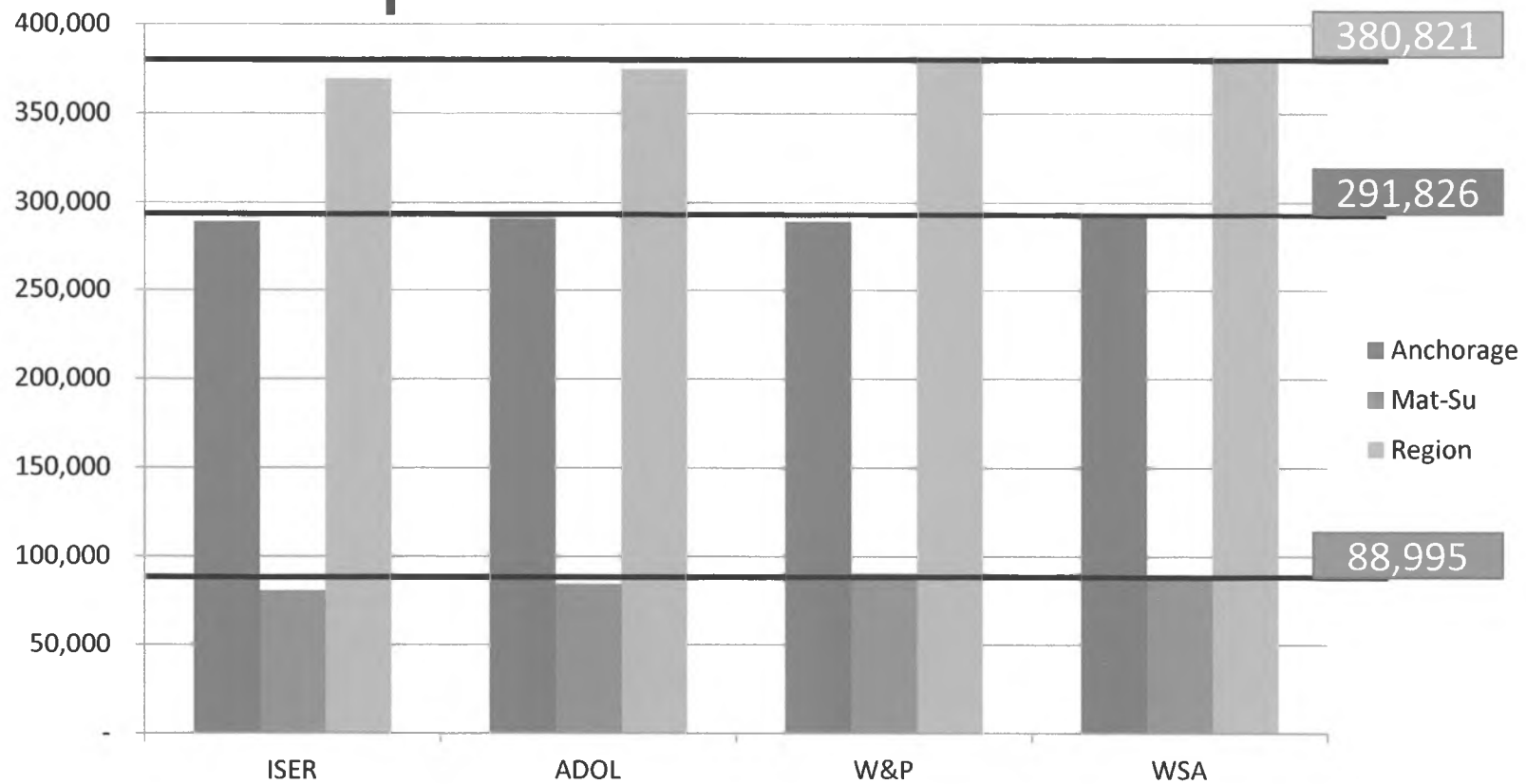


Delivering Statewide benefits, regional connectivity and economic growth.

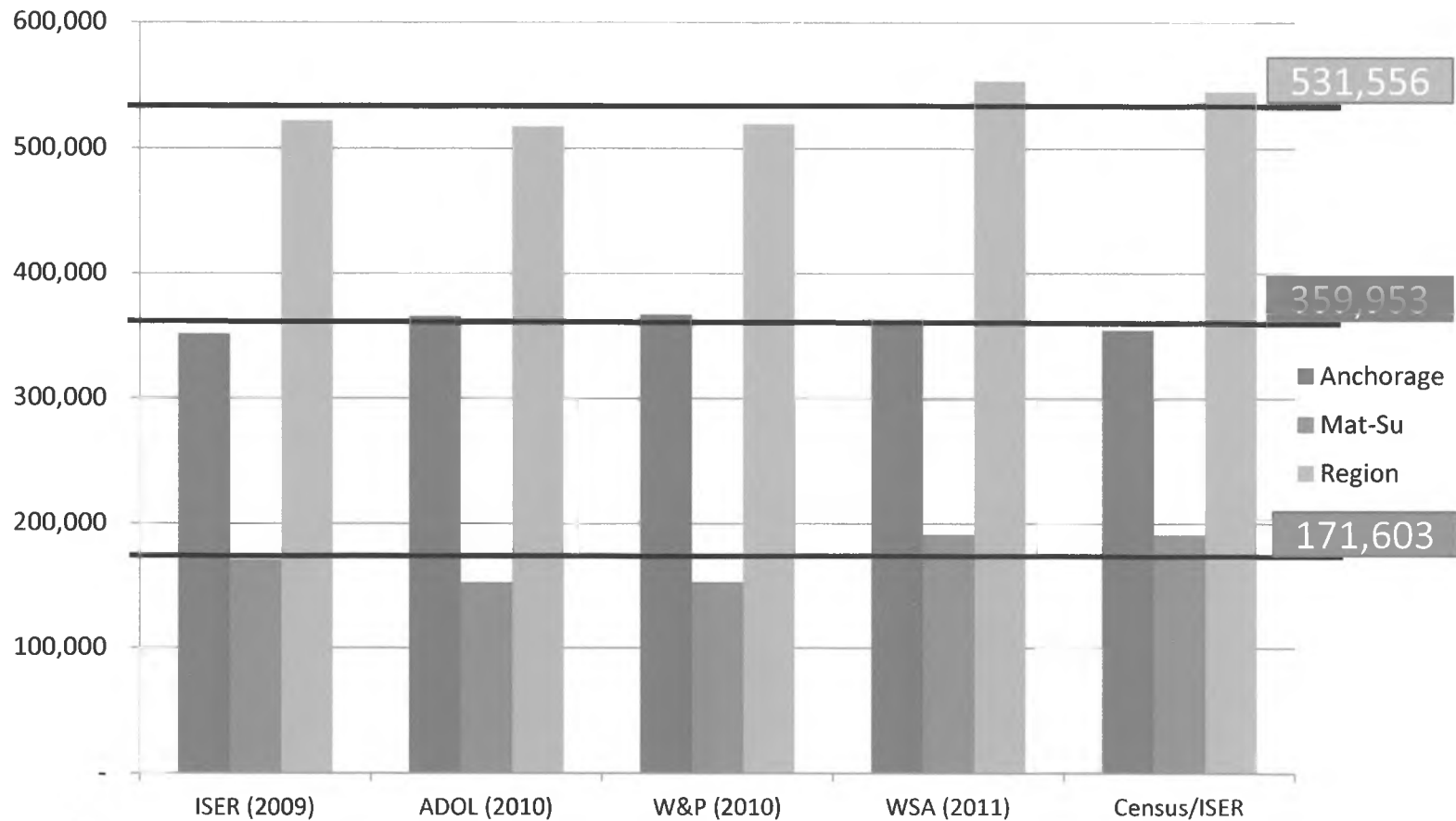
[www.knikarmbridge.com](http://www.knikarmbridge.com)

Project Briefing  
House Finance Committee  
March 22, 2012

# 2010 Population Forecasts Compared to Census Actual

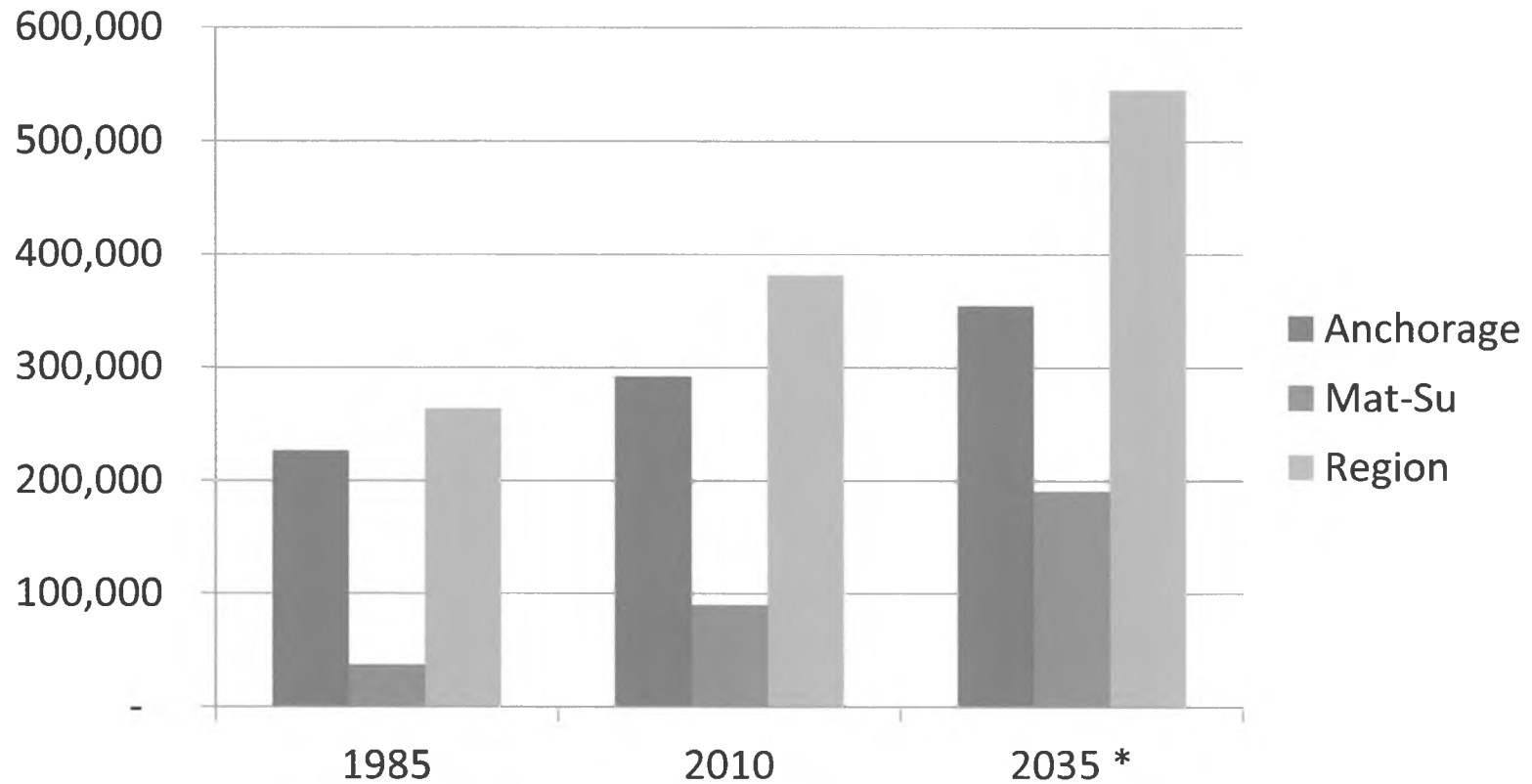


# 2035 Population Forecasts



- 2010 Census number increased by ISER annual growth rate for 2035 forecast.
- Forecasts assume completion of the Knik Arm Crossing.

# Historic and Projected Population Trend 1985 to 2035



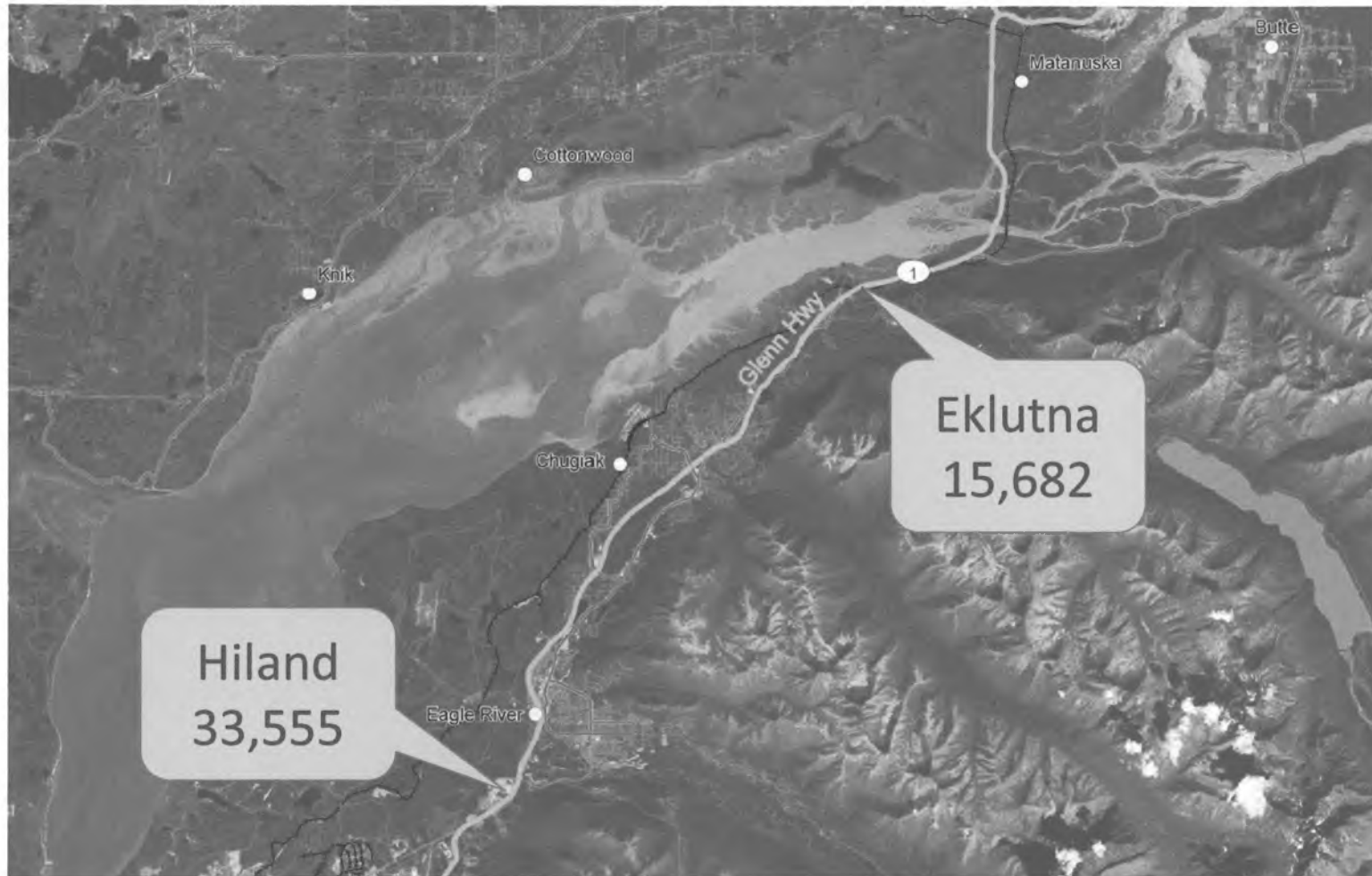
\* 2010 Census number increased by ISER annual growth rate for 2035 forecast.

# Population Forecasts Comparison

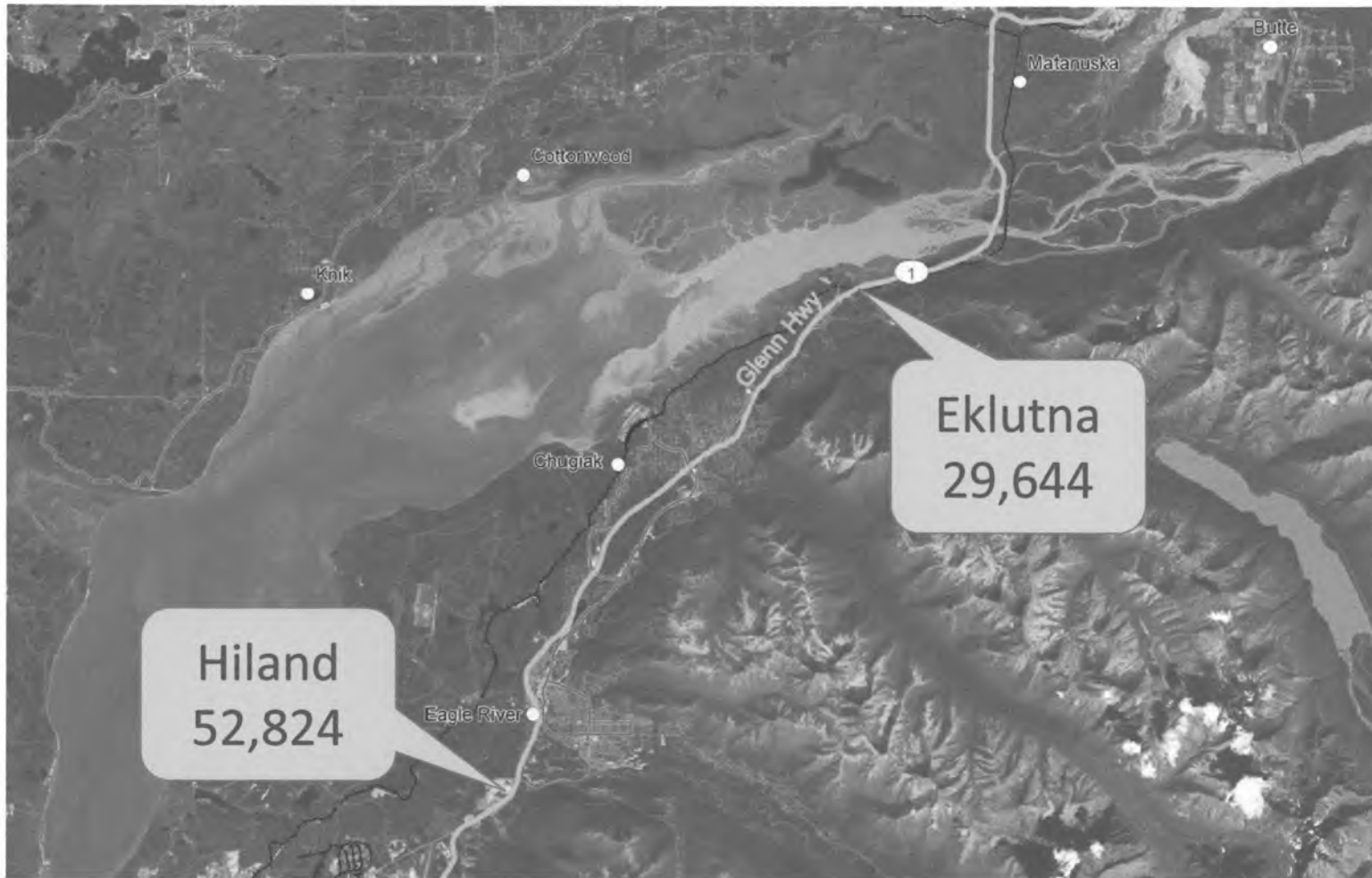
	<b>ISER (2009)</b>	<b>ADOL (2010)</b>	<b>W&amp;P (2010)</b>	<b>WSA (2011)</b>	<b>2010 Census *</b>
<b>2010</b>					
Anchorage	289,200	290,588	289,200	291,826	291,826
Mat-Su	80,300	84,314	90,433	88,995	88,995
Region	369,500	374,902	379,633	380,821	380,821
<b>2035</b>					
Anchorage	351,300	364,973	366,544	362,458	354,490
Mat-Su	170,800	152,456	152,908	190,976	190,873
Region	522,100	517,429	519,452	553,434	545,363

\* 2010 Census number increased by ISER annual growth rate for 2035 forecast.

# 1985 Glenn Highway AADT Counts



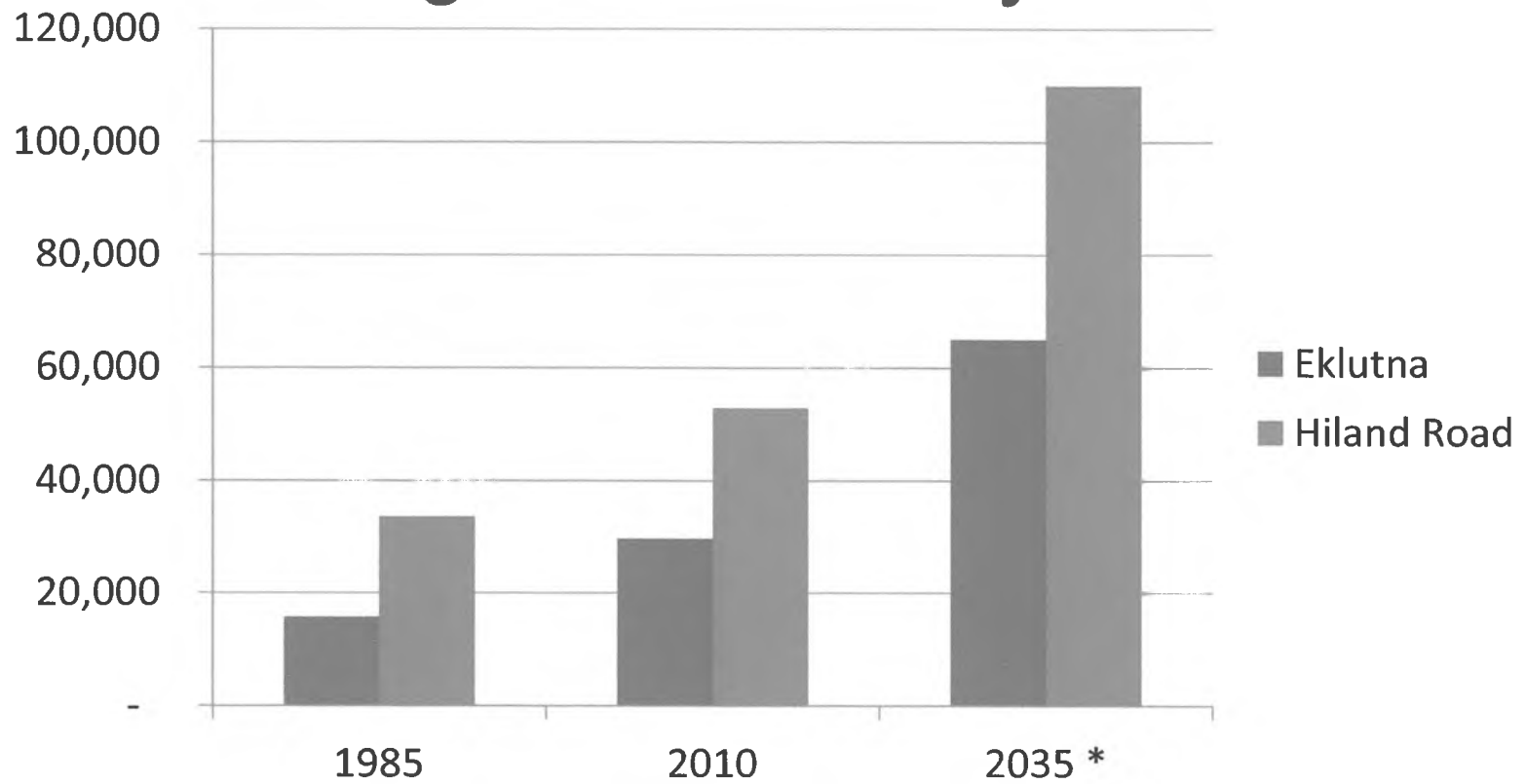
# 2010 Glenn Highway AADT Counts



# 2035 Glenn Highway AADT Counts Without Bridge



# Historic and Projected Average Annual Daily Traffic



\* Without Bridge.

# Population and Traffic Are Coming

- Current Glenn Highway Traffic:
  - $\approx$  30,000 AADT at Eklutna 2010
  - $\approx$  52,000 AADT at Hiland Road 2010
- Population forecast 2035:
  - Mat-Su  $\approx$  190,000 people (119% increase)
  - Chugiak-Eagle River  $\approx$  68,000 people (74% increase)
- $\approx$  35,000 additional AADT at Eklutna by 2035
  - 2035 AADT  $\approx$  65,000
- $\approx$  58,000 additional AADT at Hiland Road by 2035
  - 2035 AADT  $\approx$  110,000

# What Happens Without the Bridge?

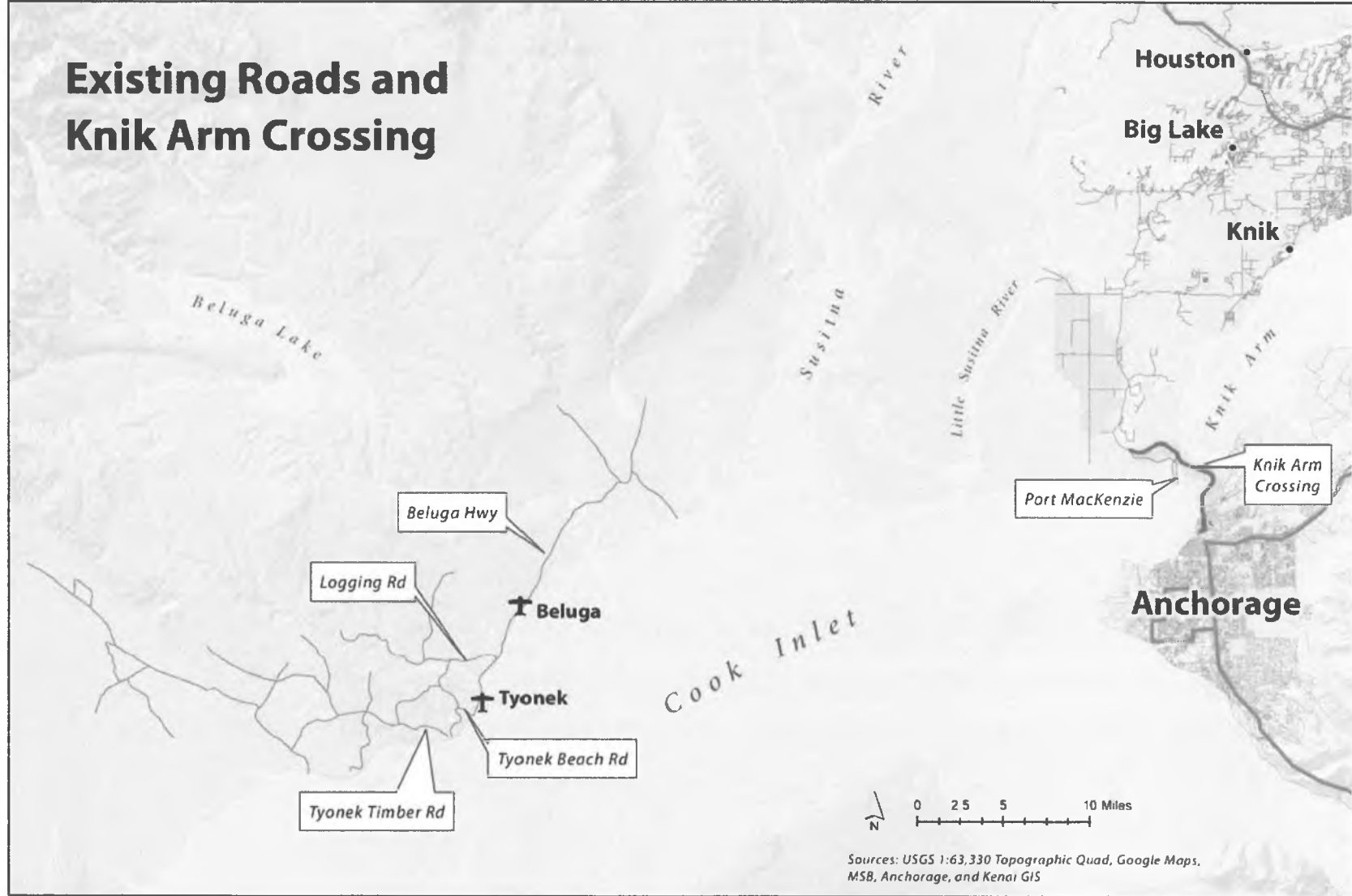
- State has to accommodate transportation needs to maintain existing level of service:
  - 6 lane improvements on Glenn Highway from Eagle River to Wasilla
  - 8 lane improvements on Glenn Highway from South Eagle River to 5<sup>th</sup> Avenue
  - Parks Wasilla Bypass
  - Network improvements in Palmer/Wasilla corridor
- ≈\$3 billion total cost with no toll revenue \*

\* Estimate per 2008 Statewide LRTP prepared by ADOT&PF

# Benefits of the Bridge

<ul style="list-style-type: none"> <li>• 1,500 construction related jobs and enables thousands of permanent direct and indirect jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Second route for safety and emergencies for 54% of the State's population (61% if Kenai included)</li> </ul>
<ul style="list-style-type: none"> <li>• Supports coming population growth</li> </ul>	<ul style="list-style-type: none"> <li>• Funds future transportation projects</li> </ul>
<ul style="list-style-type: none"> <li>• Goose Creek Correctional Center 12 miles from courts, jail and supplies in Anchorage with bridge (72 miles without)</li> </ul>	<ul style="list-style-type: none"> <li>• First leg to western Cook Inlet resources (Kenai Peninsula Borough); Coal, Hydroelectric, Timber, Oil and Gas, Geothermal</li> </ul>
<ul style="list-style-type: none"> <li>• Intermodal connectivity between ports, rail, airports and highway network</li> </ul>	<ul style="list-style-type: none"> <li>• Defers need for capacity improvements in Glenn Highway / Parks Highway corridor</li> </ul>
<ul style="list-style-type: none"> <li>• User fees (tolls) cover maintenance and operations over the life of the facility</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces transportation costs to Denali, Fairbanks, the Interior and North Slope</li> </ul>
<ul style="list-style-type: none"> <li>• Opens up the Port MacKenzie Industrial District (8,940 acres) for commercial and industrial development – just 5 miles from Anchorage</li> </ul>	<ul style="list-style-type: none"> <li>• Significantly reduces vehicle miles travelled, fuel consumption and greenhouse gas emissions, saving Alaskan's time and money</li> </ul>
<ul style="list-style-type: none"> <li>• Allows northbound traffic to bypass downtown Anchorage, preserving city streets</li> </ul>	<ul style="list-style-type: none"> <li>• Provides access to housing closer to Anchorage, promoting smarter growth</li> </ul>

## Existing Roads and Knik Arm Crossing



# Government Hill Community Impacts Minimized

Before

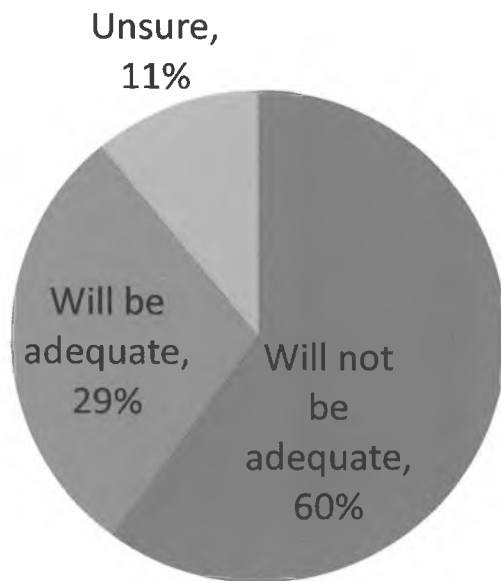


After



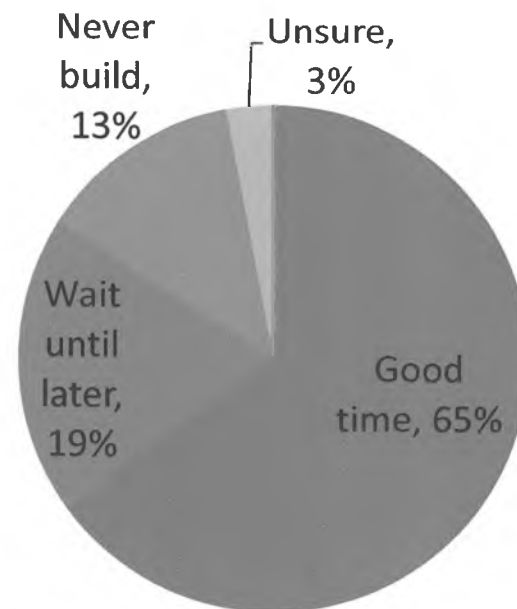
# Alaskans Recognize Bridge Value

Do you feel the current Glenn and Parks Highways between Anchorage and the Mat-Su Valley will or will not be adequate for transportation and commuting over the next 25 years?



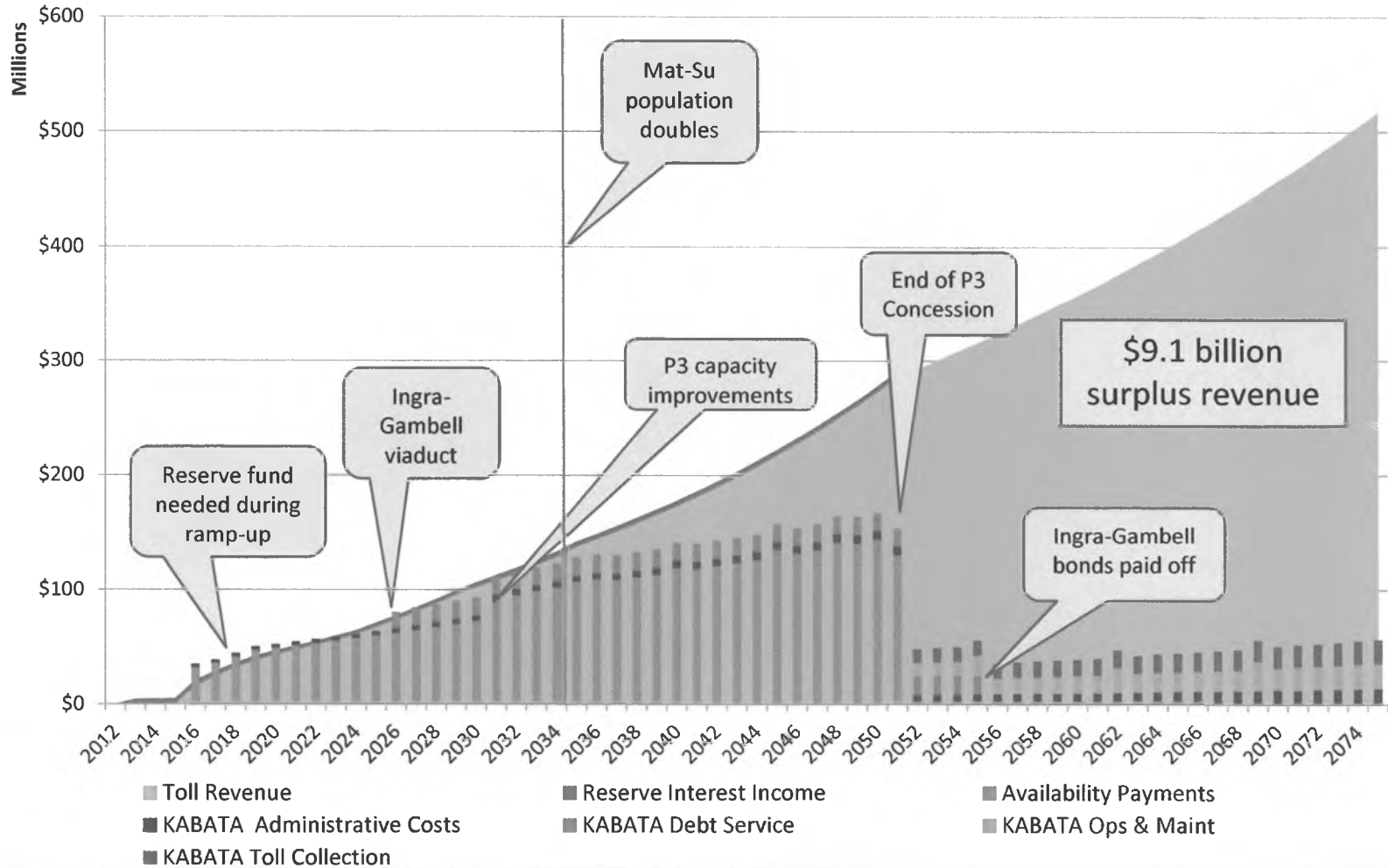
Overall, when everything is considered, would you say now is a good time to build the Knik Arm Bridge, should we wait until later, or should it never be built?

## Statewide Results



Dittman Research and Communications Alaskan Attitudes and Perceptions Survey, November - December 2011.

# 60 Year Cost and Revenue Projection



# Key Legislation Points

- **Private Activity Bonds (PABs)**
  - Matches \$600 million in federal PABS capacity allocated to the project
  - KABATA acts as conduit issuer but the Private Partner will be borrower
  - Tax exempt nature lowers cost of capital providing better value to State
- **Property Tax Exemption**
  - Clarifies bridge and connectors are not subject to state and local property tax if operated by Private Partner on State's behalf
  - Consistent with treatment of all other public road in Alaska
- **Project Reserve Fund**
  - Acts as a line of credit in the early years
  - Paid back from toll revenue over time
  - Lowers cost of financing thus reducing availability payments

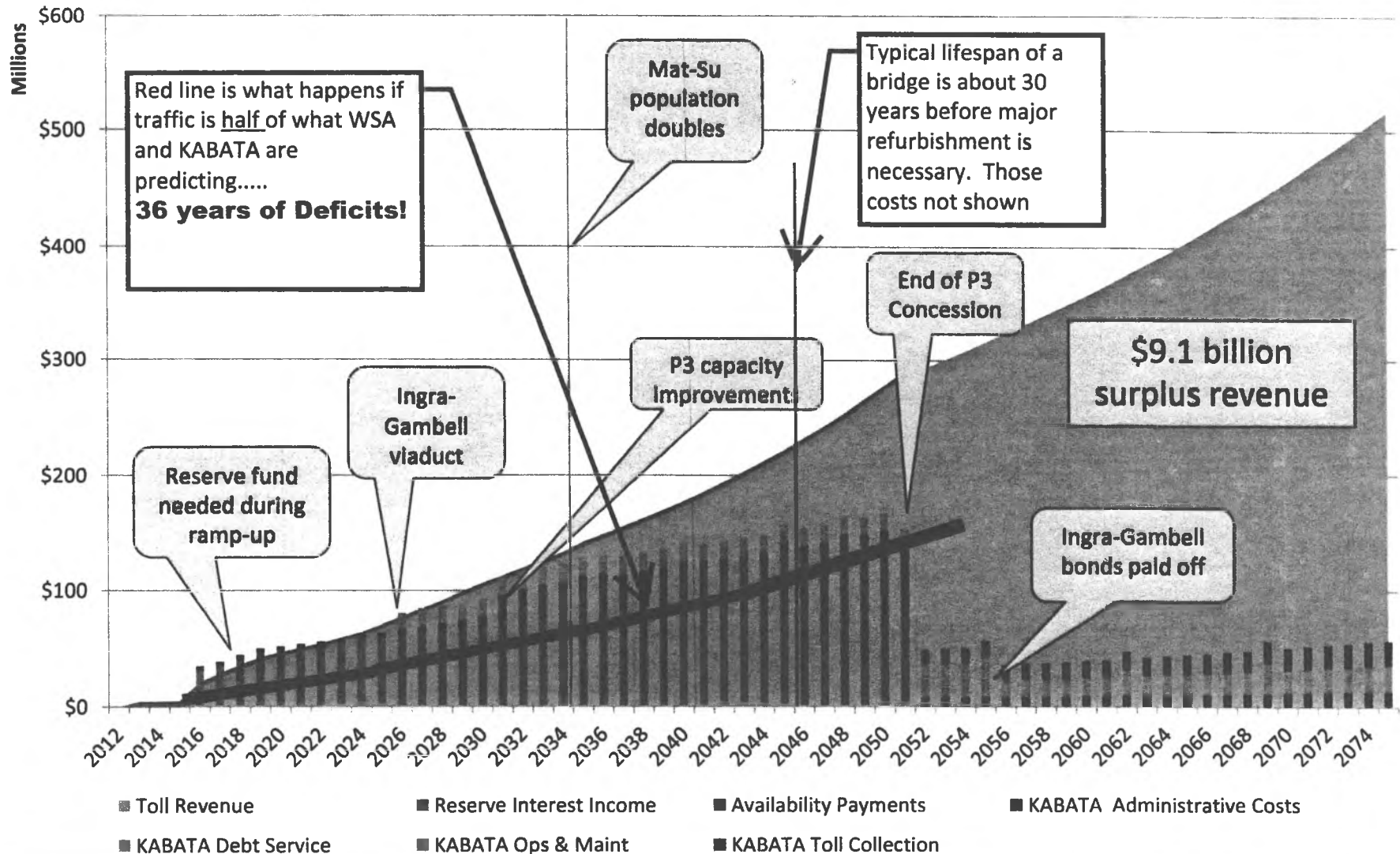
# Concept Rendering



[www.knikarmbridge.com](http://www.knikarmbridge.com)

KNIK ARM CROSSING

# 60 Year Cost and Revenue Projection



*Adopted  
3/22/12*

27-LS0431\VT  
Martin  
3/22/12

**CS FOR HOUSE BILL NO. 158(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE NEUMAN

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to bonds of the Knik Arm Bridge and Toll Authority; relating to  
2 reserve funds of the authority; relating to taxes and assessments on a person that is a  
3 party to an agreement with the authority; and establishing the Knik Arm Crossing  
4 fund."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 \* **Section 1.** AS 19.75.211(a) is repealed and reenacted to read:

7 (a) Notwithstanding any other provision of law, the authority may borrow  
8 money and issue and refund bonds on which the principal and interest are paid out of  
9 and secured by

10 (1) the gross revenue derived by the authority from the ownership, use,  
11 and operation of its toll facilities, including money derived from the fees, rents, tolls,  
12 rates, charges, and other revenue of the authority under this chapter;

13 (2) revenue received by a private person or enterprise that has entered  
14 into a public-private partnership agreement with the authority; or

1 (3) any other revenue or money that the legislature has appropriated  
2 for that purpose, except a state tax or license.

3 \* **Sec. 2.** AS 19.75.211(c) is amended to read:

4 (c) The authority may issue bonds in an aggregate amount not to exceed  
5 \$600,000,000 [\$500,000,000], plus the cost of issuance.

6 \* **Sec. 3.** AS 19.75.211 is amended by adding a new subsection to read:

7 (e) Before issuing bonds for the Knik Arm bridge under this section, the  
8 authority shall submit to the state bond committee a description of the bond issue, a  
9 copy of the resolution of the board of directors of the authority supporting the bond  
10 issue, a report setting out the sources and amounts of revenue that will be used for  
11 payment of the principal of and interest on the bonds and the effect the issuance of the  
12 bonds by the authority would have on the ability of the state or political subdivision of  
13 the state to market bonds, and a preliminary prospectus, offering circular, or official  
14 statement relating to the bond issue. Bonds may not be issued unless the state bond  
15 committee finds, based on the information submitted by the authority under this  
16 section and other information that is reasonably available to or requested by the  
17 committee, that either the Knik Arm bridge revenue and other revenue available to the  
18 authority or the revenue of the private person or enterprise under a public-private  
19 partnership agreement entered into by the authority under AS 19.75.111(a) can be  
20 reasonably expected to be adequate for payment of the principal of and interest on the  
21 bonds to be issued and that issuance of the bonds by the authority would not be  
22 expected adversely to affect the ability of the state or its political subdivisions to  
23 market bonds.

24 \* **Sec. 4.** AS 19.75.221(h) is amended to read:

25 (h) Notwithstanding any other provision of law, the authority may establish  
26 other funds and reserves as the board of directors may determine reasonable and  
27 prudent for the issuance of bonds or for the conduct of the business and affairs of the  
28 authority. The interest earned on or profit derived from these funds and reserves shall  
29 be the property of the authority. Deposits made into a reserve fund established  
30 under this section must include

31 (1) revenue derived by the authority from the ownership, use, or

1 operation of toll facilities, including fees, rents, tolls, rates, charges, or other  
2 revenue of the authority;

3 (2) money that the legislature has appropriated for that purpose;

4 and

5 (3) other money that may be made available to the authority from  
6 other sources.

7 \* Sec. 5. AS 19.75.221 is amended by adding new subsections to read:

8 (i) Money in a reserve fund established under (h) of this section

9 (1) shall be used only for

10 (A) the payment of monetary obligations, liabilities, and  
11 indebtedness of the authority, including termination payment obligations,  
12 under agreements for the financing, design, construction, maintenance,  
13 improvement, or operation of facilities, properties, or projects of the authority;

14 (B) the performance of the authority's statutory functions,  
15 including the authority's overhead and administrative costs and working  
16 capital; and

17 (C) planning, permitting, design, acquisition, construction,  
18 maintenance, improvement, or operation of transportation-related projects,  
19 facilities, properties, systems, or equipment of the authority or other public  
20 entities, including expansions, extensions, and capacity improvements, eligible  
21 under applicable federal and state law to be funded from toll revenue;

22 (2) may not be used for the purpose of planning, permitting, design,  
23 acquisition, construction, maintenance, improvement, or operation of projects,  
24 facilities, properties, systems, or equipment under (1)(C) of this subsection if the  
25 withdrawal would reduce the amount in the reserve fund to less than the reserve fund  
26 requirement.

27 (j) Income or interest earned by, or increment to, a reserve fund established  
28 under (h) of this section, from the investment of all or part of the fund, may be  
29 transferred by the authority to other funds or accounts of the authority if the transfer  
30 does not reduce the amount of a reserve fund below the reserve fund requirement.

31 (k) In computing the amount of a reserve fund established under (h) of this

1 section, securities in which all or a portion of the fund is invested shall be valued by a  
2 reasonable method established by the authority by resolution or established by the  
3 terms of the agreement for which the fund serves as security. Valuation must include  
4 the amount of interest earned or accrued as of the date of the valuation.

5 (l) The chair of the board shall annually, not later than December 1, certify in  
6 writing to the governor and the legislature the amount, if any, required to restore a  
7 reserve fund established under (h) of this section to the reserve fund requirement. The  
8 legislature may appropriate to the authority the amount certified by the chair of the  
9 board that is needed to restore a reserve fund to the reserve fund requirement.

10 (m) In this section, "reserve fund requirement" means the amount required to  
11 be on deposit in a reserve fund established under (h) of this section as of the date of  
12 computation, as determined by resolution of the authority or by the terms of the  
13 agreement for which the fund serves as security.

14 \* Sec. 6. AS 19.75.261 is amended to read:

15 **Sec. 19.75.261. Exemption from taxation.** The real and personal property of  
16 the authority and its assets, income, and receipts are declared to be the property of a  
17 political subdivision of the state and are exempt from all taxes and special assessments  
18 of the state or a political subdivision of the state. **Notwithstanding any law to the**  
19 **contrary, rights and interests in real and personal property, assets, income, and**  
20 **receipts, including concession, franchise, leasehold, or other real or personal**  
21 **property rights and interests, held by a private person or enterprise under a**  
22 **public-private partnership agreement entered into under this chapter, except any**  
23 **rights and interests of the private person in property serving a business,**  
24 **commercial, or other purpose not necessary to operate the facilities, properties,**  
25 **or projects of the authority, shall be exempt from all ad valorem taxes on real or**  
26 **personal property and special property tax assessments of the state or a political**  
27 **subdivision of the state.** All bonds of the authority are declared to be issued by a  
28 political subdivision of the state and for an essential public and governmental purpose.  
29 The bonds, the interest on the bonds, the income from the bonds and the transfer of the  
30 bonds, and all assets, income, and receipts pledged to pay or secure the payment of the  
31 bonds or interest on the bonds are, at all times, exempt from taxation by or under the

1 authority of the state, except for inheritance and estate taxes and taxes on transfers by  
2 or in contemplation of death. Nothing in this section affects or limits an exemption  
3 from license fees, property taxes, or excise, income, or other taxes provided under any  
4 other law [, NOR DOES IT CREATE A TAX EXEMPTION WITH RESPECT TO  
5 THE INTEREST OF ANY BUSINESS ENTERPRISE OR OTHER PERSON,  
6 OTHER THAN THE AUTHORITY, IN ANY PROPERTY, ASSETS, INCOME,  
7 RECEIPTS, PROJECT, OR LEASE, REGARDLESS OF WHETHER FINANCED  
8 UNDER THIS CHAPTER].

9 \* **Sec. 7.** AS 19.75 is amended by adding a new section to article 2 to read:

10 **Sec. 19.75.345. Knik Arm Crossing fund.** (a) The Knik Arm Crossing fund is  
11 established as a separate fund in the general fund. The fund consists of

12 (1) money appropriated to the fund by the legislature;

13 (2) gifts, bequests, contributions from other sources, and federal  
14 money appropriated to the fund;

15 (3) interest earned on the fund balance and appropriated to the fund;

16 and

17 (4) investments, to be managed by the Department of Revenue, which  
18 shall be the fiduciary of the fund under AS 37.10.071.

19 (b) The fund is not a dedicated fund.

20 (c) Money in the fund may be transferred by the Department of Revenue to the  
21 authority for the purposes listed in this section.

22 (d) On a date determined by the authority but not before the board of directors  
23 of the authority executes a public-private partnership agreement under  
24 AS 19.75.111(a)(5)(B) for design, construction, and maintenance of the Knik Arm  
25 Crossing, the Department of Revenue shall transfer money from the fund to the  
26 authority in an amount necessary to meet the reserve fund requirement. The authority  
27 shall deposit the money into the reserve fund established in AS 19.75.221(h).

## Toby Smith

---

**From:** Bob French <bgkfrench@gmail.com>  
**Sent:** Wednesday, March 21, 2012 2:57 PM  
**To:** Rep. Bill Thomas; Rep. Bill Stoltze; Rep. Anna Fairclough  
**Cc:** Rep. Mia Costello; Rep. Les Gara  
**Subject:** Information for House Finance Packets re HB 158  
**Attachments:** 12-03-19-AK-Policy-Forum-Knik-Arm-Bridge-Kenworthy.pdf; Toll-Road-News-Wilbur Smith Assoc forecasting record slammed-Jan-27-2012.pdf; 12-02-18-The Real Finances of the Knik Arm Bridge FINAL.pdf; 12-2011-KABATA-Model-PABs-Annotated.pdf

Dear Chairs, etc.

I am traveling to Juneau this evening to testify on HB 158 on the Knik Arm Bridge is scheduled to be heard in House Finance on Thursday.

Could you please let me know approximately how long I will be able to testify?

I would appreciate it if the Committee could have the attached documents in their packet: Some of these are similar to what Jamie Kenworthy sent to Rep. Costello yesterday, but the information from the Toll Road News and Alaska Policy Forum are formatted to be more printable, and KABATA's Dec. 2011 Financial Plan has additional annotations that are not on the KABATA website.

Thanks for your attention to these matters, and I will see you in Juneau.

Thanks  
Bob French  
907-240-1744

# The ~~Real~~ Finances of the Knik Arm Bridge

## Summary

In contrast to KABATA's predictions of surpluses, this analysis projects a *minimum* \$2.5 Billion shortfall for the state in covering the cost of the proposed Bridge before the final contractor payment in 2050. The shortfall between when the Bridge would open in 2016 and 2035 is \$1.1 Billion, or an average of \$55 million a year. That is about what Anchorage and Mat Su have both received on average over the last ten years in federal and state dollars for all road and pedestrian projects.

KABATA goes out to 2075 to project a huge surplus. In reality, the project is so far "Under Water" in the early years it can never pay for the \$672 million Phase 2 costs, so the Bridge will never pay off

Last month an independent study was released that documents that Wilbur Smith Associates, the traffic and toll consultant the Knik Arm Bridge and Toll Authority (KABATA) relies on for its financial plan, has a national track record of *overestimating* toll revenue by 2.27 times the actual revenue received in the first five years a facility is open. This finding is consistent with Wilbur Smith Associates (WSA) projecting *more than twice* the Bridge traffic by 2035 compared to the traffic counts modeled by Ch2MHill based on population estimates by Scott Goldsmith of UAA's ISER.

The huge expected toll shortfall projected in this realistic estimate makes any state guarantee on a Bridge contract or any commitment to *continually* replenish the \$150 Million line of credit that KABATA is seeking from the legislature, to be a serious financial commitment of at least \$2.5 Billion in State funds.

## ANALYSIS

### Common Assumptions between the KABATA estimate<sup>1</sup> and this *Realistic* estimate:

- Phase 1 Bridge cost of \$713 M and same amount Bridge costs including O&M, tolling operations, capital expenditures, and administrative costs. With having to capitalize interest to pay for the toll shortfall and other bond issuance costs the total cost is \$1,086,152,719 plus a cumulative \$170 million in cumulative KABATA administrative costs until Phase 1 is paid off in 2050.
- Passage of HB 158-9 or SB 79-80 that provides an additional \$150 million "Reserve Fund" to the project and a state guarantee on a KABATA estimated 36 years of availability payments of a cumulative \$2.98 Billion for Phase 1 since KABATA obligations would become "obligations of the state."
- Same deal structure, that is a private partner putting in \$79 million equity and receiving net cash flow for 36 years estimated to be \$920 million in KABATA estimate or \$767 million in this realistic estimate
- Same amount of senior debt and capital accretion bonds and same debt schedule to pay off those bonds and same 6.426% in total true interest cost
- One way car toll of \$5 and \$18 commercial vehicle in Year 1 with tolls rising 2.5% per year to a one way car toll of \$12.16 and a \$43.79 commercial toll in Year 36. So a commuter driving a car 200 days a year between Anchorage and Mat Su would pay \$2000 in Year 1 and \$4832 in Year 36.

### Three Differing Assumptions between the KABATA estimate and this *Realistic* estimate

The three following changes drive a \$2.5 Billion increase in the cost to the state of the guarantee to backstop the toll shortfall and meet the cumulative availability payments to the contractor that KABATA estimates at \$2.98 Billion for Phase I.

#### **1. Loss of Federal Loans and Grants, Add \$340 Million to State Cost**

KABATA has been turned down for an over \$300 Million federal TIFIA loan in 2007, 2010, and 2011 and at least two different TIGER grants for over \$40 Million. Both programs are highly competitive with 10-20 times more money applied for than available. KABATA on 12/30/11 again sent in a preliminary application for a \$308 million TIFIA loan. *KABATA's financial plan includes receipt of these funds.*

The \$308 million TIFIA loan is particularly valuable to making the financial plan work since TIFIA loans bear a low interest rate and do not require repayment to start until five years after the Bridge opens.

*Projects that win federal loans and grants usually show: private sector risk taking, flat as opposed to ballooning annual payments to the concessionaire, and a project which solves significant existing congestion problems.* KABATA's application *fails* each of these key attributes and in addition shows the contractor taking out equity before the federal loan payments start which appears to contradict federal program guidelines.

Politically, the Knik Arm Bridge is *even more challenged*. In his 2011 infrastructure program speech to Congress, the President pledged "no more "Bridges to Nowhere." Last month Senator Coburn (R-OK) highlighted the recent release by the Federal Highway Administration (FHWA) of \$15 Million in right of way money to KABATA, and the Senator rated the project # 6 in his list of Top 100 in his "Wastebook" of federal spending.

Do you believe that <u>any</u> Federal Administration will provide over \$353 Million in Federal Loans or Grants to the "Bridge to Nowhere"?
--

#### **2. *Realistic* Toll Forecast, Add \$2.3 Billion to State Cost**

Revenue forecasts are based on population and employment projections, which in turn, drive trip and toll projections.

KABATA uses a Mat Su population or household forecast for 2030 that is 30% higher than the state demographer's December 2010 forecast or Scott Goldsmith's Institute of Social and Economic Research's (ISER's) 2009 forecast used for the Highway to Highway project<sup>2</sup>. Also, Wilbur Smith Associates, KABATA's traffic consultant, changed its traffic model between 2007 and 2011 so the same population number now generates 9% more trips and lowered the number of people per household from 2.7 from the 2010 Census to 2.5 in 2035 to appear to be consistent with ISER numbers. The result is higher toll revenue projections than realistic.

In doing the Highway to Highway traffic forecast, CH2M HILL, using Scott Goldsmith's population and employment data, projected 17,700 trips a day on the Bridge in 2035. KABATA's financial plan is based on a traffic forecast of 36,000 trips in 2035, *more than double*. Another forecast where the state Department of Transportation modeled ISER data (falsely labeled AMATS/ISER in the Anchorage Metropolitan Transportation Plan) said there would be 36,600 trips a day in 2035 but that forecast assumed no toll thereby inflating trip numbers.

Since KABATA's population forecast is an outlier and tolls reduce demand, a projected 18,000 daily trips in 2035 paying the higher \$8.19 one way auto toll used in KABATA's pro forma seems the best, conservative, *realistic* estimate of toll revenue. It also makes sense to use the 18,000 figure for 2035 since that is about the maximum traffic that a restricted 2 lane highway can serve and KABATA's financial plan included only the cost of a 2 lane Bridge.

A *realistic* toll estimate reduces cumulative toll revenue 2016-2050 by half from \$4.525 Billion to \$2.263 Billion.

### 3. Lower Profit to Private Partner, Subtract \$153 Million from State Cost

KABATA's financial plan projects that they will pay out a total of \$920 Million (labeled as net cash flow) to the winning bidder for their \$79 M equity in the project.

This 12% cumulative rate of return is excessive given that the state guarantee (subject to annual legislative appropriation) largely removes the financing risk to the project and leaves the concessionaire with only the customary construction cost risk. The state has traditionally paid no more than 10% when it asks the contractor to front project costs and competition among the three bidding teams and is likely to reduce this return on equity to 10%.

With typical Savings accounts paying less than 1% interest rates, does it make sense to give the P3 contractor 12%? Not if their annual payments are guaranteed by the State of Alaska.

## CONCLUSIONS

Totaling the above three items adds an additional \$2.5 billion to be paid out by the state over 36 years for Phase 1, which breaks down to be *\$1.1 Billion* or an average of \$55 million/year between 2016-2035 and \$1.4 Billion in the years between 2036-2051. (3) *None of this additional amount would be covered by toll revenue.*

It is unclear how much of that \$2.5 Billion would come out of state transportation funds for Anchorage which historically has received 28% of federal and state transportation funds or the Mat-Su which in recent years has received about the same amount of state and federal transportation dollars.

The Anchorage Metropolitan Transportation Plan (MTP) assumes KABATA's estimates of toll revenue and Bridge costs are accurate and further assumes that KABATA will receive over \$300 Million in federal loans it has been turned down on to date. Most importantly, the MTP stated assumption is that *if* there is a toll shortfall that doesn't meet contracted availability payments, and the state must make good on its guarantee, that those funds will not decrease the amount going to Anchorage or Mat-Su or affect the overall state transportation budget.

So, to summarize this paper to [REDACTED] If as here estimated, the state must make up \$1.1 Billion in toll shortfall revenues between 2016 to 2035 to meet contractor payments, *how much of that amount will come from Anchorage's or Mat-Su's federal and state transportation funding?*

Even though there are predicted cutbacks in federal funding, including earmarks, the Anchorage 2035 MTP Update counts on the ratio of state funding to federal funding *actually increasing* from 18% state money historically to 56%.state money in the 2035 MTP Update.

## **RECENT DEVELOPMENTS ADD TO BRIDGE RISKS & COSTS**

Three recent developments will likely add to the cost of the project.

### **1. Bridge Span has increased from 8,200' to 9,200'**

In response to U.S. Army Corps of Engineering concerns about the effect of the Bridge on additional siltation challenges in Cook Inlet, in November KABATA signed an agreement with the Corps to increase the Bridge span to 9,200'. While this will reduce a rock-constructed causeway by 1000', it also will require 4 more expensive additional Bridge pilings and spans. Using a rough estimate of the 35% design costs from the TIFIA application, an additional \$15 million will be required which is not included in the \$713 million Bridge cost which is an unchanged number from the earlier KABATA financial plan showing a 8,200' bridge.

### **2. KABATA's Financial Plan still assumes 2 lanes of cost, 4 lanes of revenue**

Phase 2 had been defined as the expansion of the Bridge and approaches from 2 lanes to 4 lanes and adding the Anchorage connection to the Ingra-Gambell couplet. KABATA estimates the cost of Phase 2 at \$673 Million.

Generally, a restricted access highway at around 18,000 trips a day needs to move to 4 lanes to accommodate any increase in traffic; for example, the Glenn Hwy traffic at Eklutna flats, the dividing line between Mat Su and Anchorage, is now about 28,000 trips a day.

The AMATS Technical Advisory Committee in August, 2011 heard my presentation that the KABATA Pro Forma Financial Plan submitted in February, 2011 to the federal government for a TIFIA loan had assumed 4-6 lanes of toll revenue in its toll projection to 2051 but its financial plan included only the cost of a 2 lane Bridge and northern approach roads.

The December, 2011 TIFIA preliminary grant application also includes the revenue from 18,700 trips a day in 2022 rising to 30,300 trips a day in 2030 when they estimate Phase 2 will be implemented at a cost of \$672 million that is not included in this realistic or KABATA estimate. For those eight years between 2022-2030, how is it possible to include the revenue from 4 lanes while including only the cost of 2 lanes on the Bridge and the northern approach roads to connect with Knik Goose Bay Road?

In order to count the revenue from over 18,000 trips a day, the financial plan has to include the cost of 4 lanes from downtown Anchorage to Knik Goose Bay Road.

### **3. National Track Record of KABATA's consultant Wilbur Smith Associates: Revenue projections 127% greater than actual Toll Revenues**

Drawing on a 2006 study of the National Transportation Research Board (a division of the National Academy of Sciences) and adding updated information from recent toll facilities, an independent economist last month documented that the track record of Wilbur Smith Associates (WSA) on US projects is to overestimate revenue by 2.27 times in the first five years a toll facility is open to project. That is, WSA projected 127% more revenue than actual performance.<sup>3</sup>

The 2012 study "*Wilbur Smith Associates' Traffic and Revenue Forecast: Plenty of Room for Error*" was developed by Terry Maynard, a retired federal economist. The WSA track record is slightly better

than the industry in projecting the first year revenue of projects and worse than industry averages after five years and later.

Maynard made the WSA's work on the Knik Arm Bridge one of his two "case studies" of questionable forecasting methodology and of the use of overly optimistic population data.

Two toll road projects that WSA provided the toll projections for have now gone [REDACTED] (the Greenville, SC Southern Connector and the San Diego Freeway) and [REDACTED] have had changes in ownership and/or debt restructuring when insufficient toll revenues took revenue below required minimum bond cover ratios (the San Joaquin Hills Toll Road, CA and the Pocahontas Parkway, VA).

Jamie Kenworthy  
February 15, 2012  
[jamiiek@alaska.com](mailto:jamiiek@alaska.com)

Note: Revisions from earlier posts of this paper reflect slight number changes between the Citigroup 10/17/2011 financial plan for KABATA's TIGER loan application and the 12/16/2011 Citigroup financial plan for KABATA's TIFIA loan application. Also included in this revision is discussion of the January 29, 2012 Maynard paper on the Wilbur Smith Associates' national track record.

Endnotes:

---

<sup>1</sup>KABATA cost estimate numbers are from the Citigroup financial plan done 12/16/11 for KABATA's TIFIA preliminary federal loan application, see <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>

<sup>2</sup> The history of this project's use of population estimates does not inspire confidence in KABATA's revenue forecasts which are based on their consultant trip and toll forecasts. In 2007, Scott Goldsmith of ISER estimated that 204,400 people would live in the Mat Su in 2030. KABATA then hired the Insight Research Corporation of Dallas, Texas to come up with the number of 250,700 for the Mat Su in 2030, see p. 26 of <http://www.knikarmbridge.com/documents/IndependentEconomicOverviewandDevelopmentForecast07022007.pdf>.

<sup>3</sup> The full study is available at <http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-and-Revenue-Forecasts-012712>. The 2006 NTRB of the National Academes of Science toll study is at [http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp\\_syn\\_364.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_syn_364.pdf).

Two media stories summarize the poor track record of the traffic and toll projection industry; see <http://www.tollroadsnews.com/node/5726> and [http://www.denverpost.com/tollroads/ci\\_3876477](http://www.denverpost.com/tollroads/ci_3876477)

## Wilbur Smith Assoc forecasting record slammed in report for Reston VA group (ENLARGED REPORT)

Posted on Fri, 2012-01-27 16:30 <http://www.tollroadsnews.com/node/5726>

[cdmsmith](#)

[dulles toll road](#)

[maynard](#)

[rail](#)

[reston](#)

[traffic and revenue forecasts](#)

[wilbur smith associates](#)

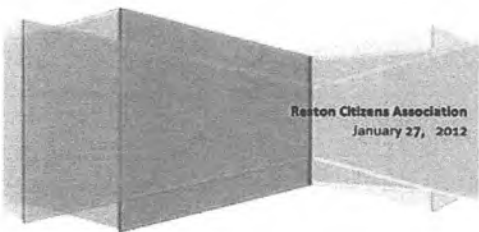
Wilbur Smith Associates (WSA) record of traffic and revenue forecasting is blasted in a study done by a retired federal government economist Terry Maynard for the Reston Citizens Association (CRA) in northern Virginia. The report supports a call for an independent review of the WSA/CDMSmith traffic and revenue forecast of the Dulles Toll Road.

The analysis titled Traffic and Revenue Forecasts: Plenty of Room for Error by Terry Maynard finds that forecasts of revenue by WSA as it then was (just recently merged to form CDMSmith) are on average 2.27 times - or 127% too high - as compared with subsequently realized toll revenues.

This is based on the first five years of 12 toll projects forecast.



Wilbur Smith Associates'  
Traffic and Revenue Forecasts:  
*Plenty of Room for Error*



In addition Maynard finds that WSA had a pattern of understating the sensitive profit maximizing toll initially, then subsequently raising those estimates.

Maynard says that WSA routinely uses the highest population and employment forecasts for forecasting traffic.

Despite poor forecasts tollroads stuck with WSA.

WSA estimates for Dulles Toll Road revenues are suspect, Maynard writes, because they are already using numbers overstating Fairfax County employment by 25%.

What it calls the "pattern of overestimates" in WSA forecasting suggests a "substantial risk" in proceeding with the MWAA financial plan, Maynard writes.

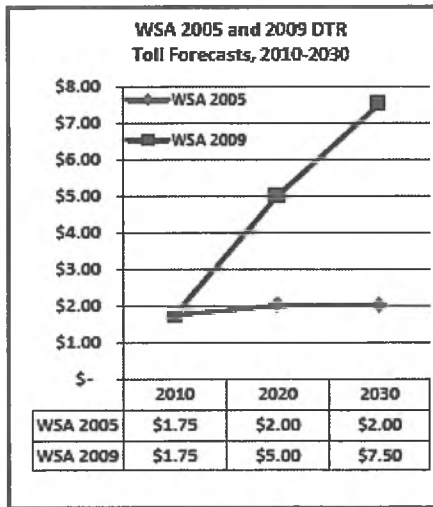
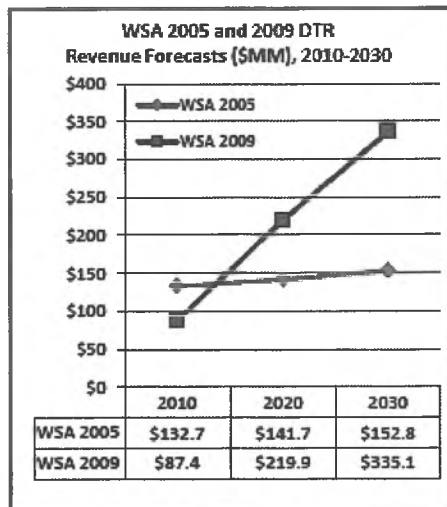
Risks are:

- lenders won't fund the project without state guarantees or at investment grade rates
- tolls much higher than those forecast will emerge
- corridor economic growth will be hampered by the high costs
- MWAA may default and face much higher costs than cited

Terry Maynard: "RCA has long been enthusiastic about Metrorail to Dulles via Reston, but we do not want a rail line at any price, especially one that forces Dulles Toll Road users to absorb most of the financial burden and area communities to absorb added traffic on already crowded local roads. The prospects are even worse if the WSA forecasts overestimate revenues as much as our research suggests. We hope that an independent forecast, combined with 'value engineering' for Phase 2 and restructuring the financial arrangements will lead to a better outcome for everyone."

## 2nd stage of Dulles Rail at stake

Future Dulles toll road revenues are being used as the security for selling the debt needed to fund a \$5 billion Dulles Metrorail branch line from West Falls Church through Reston County to Dulles Airport and out into Loudoun County. Over half the capital cost is proposed to be covered by toll revenue bonds of the Dulles Toll Road issued by the Metropolitan Washington Airports Authority (MWAA) that has a 50 year franchise on the tollroad and is building the rail line.



Hugely discrepant WSA forecasts in 2005 for VDOT and in 2009 for MWAA of Dulles tolls

Half of the rail line is a done deal, financed and under construction but the second half remains to be approved and financed. The WSA/CDMSmith investment grade traffic and revenue study to be released any week now will be key to whether the project proceeds.

A cover letter addressed to Governor Bob McDonnell, FHWA administrator Victor Mendez and top officials of MWAA and the two local counties charges that "WSA has made many very large errors in its forecasts that have been costly to investors, bondholders, governments, and toll road users who have relied on them to approve construction of major toll road projects."

It continues: "we believe that it is imperative that a second, independent T&R forecast be completed by another forecasting group before any decision is made to move forward with the construction of Phase 2 of the Silver (Dulles Rail) Line."

The citizens association says that given Wilbur Smith's record of overestimating revenues and the unexplained discrepancies between the first two WSA studies the various parties to the Dulles project - FHWA, MWAA, the two counties Fairfax and Loudoun as well as Virginia DOT - should defer any further commitments until Wilbur Smith's forecasts have been checked against those of an independent forecaster.

VDOT is called to take the lead in having WSA's results checked out.

It calls on FHWA to develop a process of 'best practices' for traffic and revenue forecasts given that the problem of gross exaggeration of traffic and revenue (T&R) prospects is seen across the whole T&R forecasting business.

### **Recommendations**

We believe the significant number of cases in which WSA has made major errors in its traffic and revenue (T&R) forecasts, including errors in its forecasts for the Dulles Toll Road, warrants a series of actions before MWAA, Fairfax County, and Loudoun County move to approve construction of Phase 2 of the Silver line. These recommendations involve actions by federal, state, local, and MWAA officials.

#### **US Department of Transportation/Federal Highway Administration**

- Do *not* approve TIFIA funding for the Metrorail funding partners until a second independent T&R forecast for the DTR has been prepared by Virginia and any material substantive differences between it and WSA's next forecast have been satisfactorily resolved.
- Longer term, oversee a process involving transportation T&R forecasting practitioners, toll facility operators, toll facility bond financing rating and issuing companies, and appropriate federal, state, and local government transportation officials to develop concrete and transparent national "best practice" standards for the forecasting of toll facility traffic demand and revenue forecasts. Make strict adherence to these "best practices" a requirement for federal funding. If necessary, pursue Congressional legislation to implement these "best practices."

#### **Virginia Department of Transportation**

- Conduct an independent T&R study from another T&R consultant to be completed before approval of Phase 2 of Metrorail construction.
- Resolve any substantive material differences between the outside T&R forecast and the new WSA T&R forecast before authorizing the use of state funds on Phase 2.

#### **Dulles Metrorail Funding Partners (Fairfax County, Loudoun County, & MWAA)**

- Do *NOT* approve work on Phase 2 of Metrorail until a second Virginia state-sponsored independent T&R forecast has been completed and material substantive issues between it and WSA's forecast have been resolved.
- Present the new (third) WSA DTR T&R forecast to the public as soon as possible for comment and feedback, and well before any consideration of approval of Phase 2 of Metrorail.
- Conduct a public outreach program to elicit community comment on toll, tax, and other issues raised by the possible construction of Phase 2, and adjust the current funding agreement accordingly.

## **Maynard devastating about track record of forecasting**

A key finding of the Maynard Report (named after principal author Terry Maynard) is that "optimism bias" is endemic in the toll forecasting business, and that Wilbur Smith which does about half the industry's forecasts is typical of the industry - driven by sponsors to produce the exaggerated forecasts they want. It cites work by Robert Bain, Bent Flyvbjerg, NHCRP, and ourselves but goes into several forecasts with original work.

Bain using work he started at Standard and Poors found that of 100 tollroad forecasts worldwide the average actual traffic was 77% of forecast or an overestimate of about 30% for year 1 and only minor improvement after that.

NCHRP looked at 26 toll road forecasts in the US over the first five years and found worse results.

Writes Maynard: "The atrocious overestimates of revenue by all the forecasters reflected in this data highlight the difficulty in forecasting demand in the 'ramp-up' period of a new toll road. They are inadequate for planning future revenues, financing, and toll rates."

And there is little indication forecasts improve much over time.

On the Dulles Toll Road forecasting WSA starts with an inflated number for current employment in the major county served (900k vs 700k) and then inflates that faster than others with a higher growth rate (see graph nearby). Similarly on the Knik Arm bridge in Alaska WSA used exaggerated population and employment data, claiming to base them on numbers from a local University institute, which has denied its numbers are used.

Maynard picks up on what we reported (2011-04-11) as huge inconsistency in Dulles forecasting between WSA's modest projections of traffic and revenue for VDOT in 2005 and their highly bullish projections in 2009 for the new concessionaire MWAA. (see graphing of the inconsistency nearby)

Growth prospects declined in that period, and forecasts should have been lowered, not raised. WSA has never explained the basis for their large upward revisions.

"Our examination of vital population and employment input data used by WSA in its forecasts indicates it has almost always used the most optimistic data available to make its forecasts.

**Appendix A: Revenue Forecast Error in NHCRP Data, WSA and Non-WSA, in Percent**

Wilbur Smith Associates	Year Opened	Revenue Forecast Error					Average Error
		Year 1	Year 2	Year 3	Year 4	Year 5	
Harris County Toll Road Authority (Texas)/Hardy (6)	1988	342%	261%	107%	357%	348%	302%
Harris County Toll Road Authority (Texas)/Sam Houston (6)	1988	54%	23%	23%	20%	28%	30%
Orlando-Orange Expressway Authority/Central Florida Greenway North Segment	1989	3%	17%	23%	44%	307%	23%
Orlando-Orange Expressway Authority/Central Florida Greenway South	1990	193%	176%	176%	310%		162%
Oklahoma Turnpike Authority/ John Kilpatrick (3)	1991	5%	27%	243%	218%	188%	276%
Oklahoma Turnpike Authority/ Creek (3)	1992	31%	32%	7%	0%	1%	77%
Transportation Corridor Agencies (California)/Foothill North (3)	1995	10%	8%	3%			8%
Transportation Corridor Agencies (California)/San Joaquin Hills (3)	1996	218%	111%	94%	89%	80%	119%
North Texas Tollway Authority/ George Bush Expressway (3)	1998	-34%	9%				-13%
Transportation Corridor Agencies (California)/Foothill Eastern (3)	1999	-18%	27%	20%			12%
Connector 2000 Association (South Carolina)/Greenville Connector (3)	2001	239%					239%
Pocahontas Parkway Association (Virginia)/Pocahontas Parkway (4,45)	2002	147%	148%	97%			128%
<b>Average Error</b>		<b>134%</b>	<b>104%</b>	<b>108%</b>	<b>126%</b>	<b>122%</b>	<b>118%</b>

Non-WSA Forecasts	Year Opened	Revenue Forecast Error					Average Error
		Year 1	Year 2	Year 3	Year 4	Year 5	
Florida's Turnpike Enterprise/Sawgrass Expressway (6)	1986	462%	327%	213%	170%	160%	266%
North Texas Tollway Authority/Dallas North Tollway (6)	1986	35%	10%	8%	3%	3%	10%
Mid-Bay Bridge Authority (Florida)/ Choctawhatchee Bay Bridge (38,39)	1993	25%	8%	-8%	-12%	-14%	-1%
Orlando-Orange Expressway Authority/Central Florida Greenway Southern Connector	1993	264%	173%				218%
Florida's Turnpike Enterprise/ Veteran's Expressway (3)	1994	100%	89%	60%	54%	76%	78%
Florida's Turnpike Enterprise/ Seminole Expressway (3)	1994	119%	74%	41%	28%	43%	61%
Osceola County (Florida)/Osceola County Parkway (3)	1995	55%	97%	160%	148%		268%
Toll Road Investment Partnership (Virginia)/Dulles Greenway (3)	1995	302%	302%	324%	288%	182%	299%
E-470 Public Highway Authority (Colorado)/E-470 (3)	1999	62%	60%		95%		72%
Florida's Turnpike Enterprise/Polk (3)	1999	23%	48%				36%
Santa Rosa Bay Bridge Authority (Florida)/Garcon Point Bridge (42,43)	1999	207%	82%	98%	112%	105%	121%
Northwest Parkway Public Highway Authority (Colorado)/Northwest Parkway	2004	65%	79%				72%
<b>Average Error</b>		<b>202%</b>	<b>112%</b>	<b>112%</b>	<b>98%</b>	<b>79%</b>	<b>127%</b>

Annual performance within 10% of forecast is in bold.

Revenue Forecast Error =  $1/(\text{Revenues}/\text{Forecast}) - 1$  as presented in NHCRP 364 in Table 1 which reports  $(\text{Revenues}/\text{Forecast})$ .

"This includes its 2005 and 2009 forecasts for the Dulles Toll Road. In its 2005 study, it utilized population and employment forecasts provided by GMU CRA which characterized official MWCOG forecasts as understating the area's growth potential. Then, in 2009, it discarded the conclusions of the contractor it hired to do its socio-economic forecast, Linden Street Associates, Inc., of Alexandria, which had discounted the official MWCOG forecasts as overreaching.

"Instead, it used forecast data provided by Woods & Poole, Inc., another local demographic analysis shop, which was much more aggressive. As we have noted, in the one data point from those two studies we were able to check for Fairfax County—data from the US Census Bureau in 2010—the 2005 WSA forecast overstated county employment by 25% and the 2009 study overstated it by 52%. In both cases, all the population forecasts we examined were within a reasonable five percentage points of the US Census 2010 count."

**Detroit**

In Detroit Michigan Maynard writes that an independent study by Halcrow found that WSA had used population and employment projections that were "far too high" and traffic was likely to be "about half" of WSA forecasts. He has an appendix commenting on the Detroit-Windsor DRIC/NITC bridge project.

Maynard says some of WSA's numbers are wrong, and that Halcrow's modeling is more convincing because it performs well in backward testing - not attempted by WSA.

Full copy of Maynard report:

<http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712>

Maynard is contactable at:

[terrmayn@yahoo.com](mailto:terrmayn@yahoo.com)

<http://www.tollroadsnews.com/node/5726>

NOTE: we're fully open to any response from WSA or any other forecasters. So far no response from WSA to the invitation to defend their work.

**ACTUAL REVENUE AS PERCENTAGE OF PROJECTED RESULTS OF OPERATION**

Authority/Facility	Year of Opening	Year 1	Year 2	Year 3	Year 4	Year 5
Florida's Turnpike Enterprise/Sawgrass Expressway (6)	1986	17.8%	23.4%	32.0%	37.1%	38.4%
North Texas Tollway Authority/Dallas North Tollway (6)	1986, 1987	73.9%	91.3%	94.7%	99.3%	99.0%
Harris County Toll Road Authority (Texas)/Hardy (6)	1988	29.2%	27.7%	23.8%	22.8%	22.3%
Harris County Toll Road Authority (Texas)/Sam Houston (6)	1988, 1990	64.9%	79.7%	81.0%	83.2%	78.0%
Illinois State Toll Highway Authority/Illinois North South Tollway (6)	1989	94.7%	104.3%	112.5%	116.0%	115.3%
Orlando-Orange Expressway Authority/Central Florida Greenway North Segment (6)	1989	96.8%	85.7%	81.4%	69.6%	77.1%
Orlando-Orange Expressway Authority/Central Florida Greenway South Segment (6)	1990	34.1%	36.2%	36.0%	50.0%	NA
Oklahoma Turnpike Authority/Iahn Kilpatrick (3)	1991	18.0%	26.4%	29.3%	31.4%	34.7%
Oklahoma Turnpike Authority/Creek (3)	1992	49.0%	55.0%	56.8%	59.2%	65.5%
Mid-Bay Bridge Authority (Florida)/Choctawhatchee Bay Bridge (28,30)	1993	79.8%	95.5%	108.9%	113.2%	116.7%
Orlando-Orange Expressway Authority/Central Florida Greenway Southern Connector (6)	1993	27.5%	36.6%	NA	NA	NA
State Road and Tollway Authority (Georgia)/GA 400 (3)	1993	117.0%	133.1%	139.8%	145.8%	141.8%
Florida's Turnpike Enterprise/Veteran's Expressway (3)	1994	50.1%	52.9%	62.5%	65.0%	56.8%
Florida's Turnpike Enterprise/Seminole Expressway (3)	1994	45.6%	58.0%	70.7%	78.4%	70.1%
Transportation Corridor Agencies (California)/Foothill North (3)	1995	86.5%	92.3%	99.3%	NA <sup>1</sup>	NA <sup>1</sup>
Osceola County (Florida)/Osceola County Parkway (3)	1995	13.0%	30.7%	38.5%	40.4%	NA
Toll Road Investment Partnership (Virginia)/Dulles Greenway (3)	1995	20.1%	24.9%	23.6%	25.8%	35.4%
Transportation Corridor Agencies (California)/San Joaquin Hills (3)	1996	31.6%	47.5%	31.5%	52.9%	54.1%
North Texas Tollway Authority/George Bush Expressway (3)	1998	152.2%	91.8%	NA	NA	NA
Transportation Corridor Agencies (California)/Foothill Eastern (3)	1999	119.1%	79.0%	79.2%	NA <sup>1</sup>	NA <sup>1</sup>
E-170 Public Highway Authority (Colorado)/E-170 (3)	1999	61.8%	59.6%	NA	95.4% <sup>2</sup>	NA <sup>2</sup>
Florida's Turnpike Enterprise/Polk (3)	1999	81.0%	67.5%	NA	NA	NA
Santa Rosa Bay Bridge Authority (Florida)/Garcos Point Bridge (42,43)	1999	32.6%	54.8%	50.5%	47.1%	48.7%
Connector 2000 Association (South Carolina)/Greenville Connector (3)	2001	29.6%	NA	NA	NA	NA
Pocahontas Parkway Association (Virginia)/Pocahontas Parkway (44,45)	2002	41.6% <sup>4</sup>	40.4%	50.8%	NA	NA
Northwest Parkway Public Highway Authority (Colorado)/Northwest Parkway (46,47)	2004	60.5%	56% <sup>4</sup>	NA	NA	NA

Sources are cited in parentheses.

Notes: Bold type reflects actual within 10% of projected. NA = traffic and revenue report not available or not provided.

TOLLROADSnews 2012-01-27 ENLARGED 2012-01-31

TOLLROADSnews is a journalistic venture of Peter Samuel, 102 West Third Street Unit 1, Frederick MD 21701 USA tel 301 631 1148 email [editor@tollroadsnews.com](mailto:editor@tollroadsnews.com).



## Knik Arm Bridge—State as Last Sucker?

<http://www.alaskapolicyforum.org/2012/03/knik-arm-bridge-state-as-last-sucker/>

Fiscal Policy — By [Online Editor](#) on March 19, 2012 at 2:31 PM

By: Jamie Kenworthy

There may be no better Alaskan example of a big spending government project misrepresented as a “public-private partnership” than the Knik Arm Bridge, Alaska’s second and only surviving “Bridge to Nowhere”. This study examines the financial aspects of the Bridge project and looks at the long term financial impact to the State of Alaska.

The Knik Arm Bridge has always been a wholly government-funded project seeking more government funding to get off the ground. Funded early on by an original \$230 million Congressional earmark, with the state taking about half for other projects, the Knik Arm Bridge and Toll Authority (KABATA) has spent \$60 million to date on studies and salaries.

In March, 2010 KABATA told the Anchorage Assembly that the private sector would assume the financial risk of making up the inevitable toll shortfall to pay off the bonds. In fact, KABATA had already applied for another government \$300 million loan declaring that annual appropriations from the State would be needed to backfill the lack of toll revenue. (See p. 7

<http://www.knikarmbridge.com/documents/TIFIAcoverandLOI.pdf>)

With the toll shortfall, what might the state’s liability be over 35 years of cumulative private contractor payments? In KABATA’s latest federal loan application, it estimated this liability at \$ 3 billion. (See p. 4 <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>) And this may even be on the low side.

A public records act request to the State Transportation Department revealed that the toll revenue forecast may be overestimated by a factor of two. When Scott Goldsmith’s (University of Alaska, ISER) estimate of future population was modeled into vehicle trips by Ch2M Hill, it concluded 17,700 vehicles would use the Bridge daily in year 2035. However, KABATA’s comparable number that it uses for its toll revenue projection is 36,000 trips a day. This is difficult to imagine because today there are less than 30,000 trips now between the Mat Su and Anchorage on the Glenn Highway.

This possible 103% overestimation of toll revenue by KABATA over the ISER-CH2MHill toll numbers is consistent with the study of a retired federal economist. This economist documented a 118% average overestimation error by the KABATA traffic and toll consultant, Wilbur Smith Associates, for the first five years a toll facility was open in all US projects. (See <http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712.%3Cbr%20/%3E>.)

The vast majority of the present MatSu commuters would continue to use the Glenn Highway since Palmer and Wasilla are closer to Anchorage via the Glenn than via the proposed Knik Arm Bridge. In addition, these commuters would not have to pay a \$5 one-way toll rising 2.5% a year.

An independent estimate of the Knik Arm Bridge costs concludes that it would accumulate \$1.1 Billion in deficits by 2035. (See <http://knikbridgefacts.org/wp-content/uploads/2012/02/The-Real-Finances-of-the-Knik-Arm-Bridge-v3.pdf>).

We will spare ourselves having to debate over population and traffic projections and just focus on which consultants are paid by KABATA and watch who is left holding the bag. If the private sector were willing to finance the project, it is more than likely the project would already have been financed. But there were no takers.

Instead, KABATA went to the legislature last year with two bills tapping the General Fund to provide another \$150 million for the project and also to make any contract KABATA would sign with the private contractor “obligations of the state” – the inevitable blank check. As David Boaz of the free market-oriented Cato Institute observed of the Knik Bridge project: “Yes, the largest investment companies — and the largest construction companies — would be delighted to work on this project, if someone else would actually put up the money.” [http://www.huffingtonpost.com/david-boaz/bridge-to-nowhere\\_b\\_984839.html](http://www.huffingtonpost.com/david-boaz/bridge-to-nowhere_b_984839.html)

Clearly, the private sector is not interested in taking any risk on having sufficient toll revenue to pay off the Bridge bonds and operating costs. Rather, KABATA has promised the two losers of three short-listed consortia bidding for the expected \$1.1 billion contract a “stipend” of \$2 million each to submit a final proposal. Supposedly, KABATA will pay for the intellectual property of the losers’ bids, but industry observers consider this amount excessive.

If the KABATA legislation (HB 158-159 and SB 79-80) passes this session of the legislature, the winning contractor will have 35 years of state-guaranteed “availability payments” that KABATA estimates will total \$3 billion. Even this \$3 billion assumes KABATA will get \$350 million in federal TIFIA and TIGER loans and grants which it failed to get in the past three years.

The next phase in the battle of the Bridge is likely to take place over the approval of the Anchorage Metropolitan Transportation Plan (MTP) beginning with a public hearing April 10, 2012 at the Anchorage Assembly. The Knik Bridge remains in the MTP with the new transportation plan, unlike the existing one, overturning the Assembly’s previous position that no further State or local funds would go to support the Bridge.

Unfortunately, readers of the new draft MTP would learn nothing of the size of the downside risk to the State on this \$1.1 billion project. The draft “assumes” the KABATA bills will pass and that if the State has to make up what has been independently estimated as an average of \$55 million a year in deficits, that none of this expected body blow to State transportation funds will impact funds going to South Central Alaska. (See pp. 6-29-31 [http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/MTPChapter-6\\_123011.pdf](http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/MTPChapter-6_123011.pdf)

A diligent reader of the MTP would see only the sources and uses of funds to finance the \$1.1 billion project. He would not see any of the overall financing costs and ballooning annual availability payments to the private contractor which go from \$34 million in year 1 to \$133 million in year 36. (p. 4 <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>)

The draft MTP shows an estimated \$79 million in private equity from the contractor which may seem impressive. Not disclosed is that under the proposed state-guaranteed contract KABATA estimates a 12% compounded return of net cash flow to repay the contractor's equity. So that \$77 million in private contractor equity would end up costing the state a KABATA-estimated \$920 million before the bonds are paid off in 2050.

While the final RFP competition may only result in a compounded return to the contractor of, say 10%, the whole proposed deal structure begs an obvious question: Why would a state with a AA credit rating that can borrow long term at 4% guarantee a contract providing a contractor a 10-12 % compounded return? The State assumes all the risk, the private contractor assumes none. Only in the world of crony capitalism would this make sense.

The marketing of the Bridge project has been an ongoing exercise in the euphemisms necessary to mask a typical bottomless government liability. The proposed \$150 million in additional State funds is just a loan that will be paid back according to the rosy trip forecast. A small print footnote to KABATA's 12/30/11 federal loan application notes that "if" – more likely "when" – the reserve fund dips below \$50 million, it will trigger an automatic appropriation request to the legislature to have the fund "replenished" back to \$50 million ( see p. 8 in KABATA's latest Financial Plan <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>).

So, this reserve fund will apparently be automatically replenished by annual legislative appropriation, regardless of the state of Alaska's budget.

The fundamental misleading description of the selling of the "public-private partnership" project by KABATA is its assurance to the legislature that the contractor will "finance" the project. Technically, the contractor will take the State of Alaska-guaranteed contract to the credit agencies and the State's credit rating will likely be the evidence the contractor needs to provide the investment grade necessary for the firm to then go to the bond market for the funds to build the project. So in reality it's the proposed State guarantee on the KABATA contract – or the continually replenishing \$150 million "reserve fund" by the State — that finances the project and not the balance sheet of the contractor which is put at risk.

The original legislation establishing KABATA made clear that the new agency could not pledge the State's credit or sell bonds without earning an investment grade. But in a 11/30/11 legislative briefing, KABATA now seeks to "clarify" that prohibition to make the bonds "obligations of the State" by amending the original statute "to reflect current market realities."

Senate Finance Chairman Bert Stedman (R-Sitka) is opposed to the State guarantee in the current bills but KABATA Board member Senator Linda Menard (R-Wasilla) is now rewriting the KABATA bills to overcome that objection. However, it is still likely that the continual replenishing of the \$150 million reserve fund will remain in the bills to provide a backdoor State guarantee. Without the State holding the bag, it is unlikely KABATA will be able to put the RFP on the street this year.

Hopefully, both the Anchorage Assembly and the Alaska Legislature will pay close attention to the risk-free financial arrangement of this "public-private partnership" and recognize it for what it is. Public assumes the risk, private sector assumes the benefits.

*(Jamie Kenworthy is the former Executive Director of the Alaska Science and Technology Foundation and has served on the Board and Audit Committee of a \$60 million/year remote sensing defense contractor, the former Environmental Research Institute of Michigan. He lives in South Anchorage and has been the volunteer financial analyst opposing state support for the Knik Arm Bridge.)*

One difference between this Pro-Forma and Oct 2011, is this version has NO Capital Accretion Bonds

SOURCES AND USES

SOURCES	GOV PURPOSE	PRIVATE ACTIVITY BONDS	SHORT-TERM FINANCING	TIFIA (1)	EQUITY	TOTAL PRIVATE FINANCING	PUBLIC INVESTMENT	TOTAL
Current Interest Bonds	-	403,905,000	-	-	-	403,905,000	-	403,905,000
Capital Accretion Bonds	-	-	-	-	-	-	-	-
Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA	-	-	-	307,855,021	-	307,855,021	-	307,855,021
Equity	-	-	-	-	79,495,439	79,495,439	-	79,495,439
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) Other	-	-	-	-	-	-	-	-
<b>Total</b>	-	403,905,000	-	307,855,021	79,495,439	791,255,460	294,897,259	1,086,152,719

USES

Deposit to Construction Fund	-	280,923,935	-	307,105,021	62,578,225	650,607,181	62,495,013	713,102,194
Deposit for Port MacKenzie Road Upgrade	-	-	-	-	-	-	15,000,000	15,000,000
Deposit for KABATA Development Costs	-	-	-	-	-	-	67,402,246	67,402,246
Deposit to State Reserve Fund	-	-	-	-	-	-	150,000,000	150,000,000
Repay Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA Credit Subsidy (2)	-	-	-	-	10,000,000	10,000,000	-	10,000,000
Deposit to Capitalized Interest Fund	-	72,896,845	-	-	-	72,896,845	-	72,896,845
Deposit to Prepaid Interest Fund	-	-	-	-	5,367,812	5,367,812	-	5,367,812
Debt Service Reserve Fund	-	40,390,500	-	-	-	40,390,500	-	40,390,500
Bond Insurance Premium	-	-	-	-	-	-	-	-
Cost of Issuance	-	6,058,575	-	750,000	-	6,808,575	-	6,808,575
Underwriter's Discount	-	2,019,525	-	-	-	2,019,525	-	2,019,525
Other Transaction Costs (3)	-	1,615,620	-	-	1,549,402	3,165,022	-	3,165,022
Concession (Shortfall)/Surplus	-	-	-	-	-	-	-	-
<b>Total</b>	-	403,905,000	-	307,855,021	79,495,439	791,255,460	294,897,259	1,086,152,719

Equity Contribution (12% IRR)	79,495,439
Construction Fund Surplus / (Shortfall)	9,949
Equity as % of Financing, Including Public Funds	19.942%
Equity as % of Financing, Excluding Public Funds	10.047%

Delivery Date 12/1/12  
 Rates as of 11/4/11

Cap I Date 12/1/2015  
 Cap I Earnings Rate 0.50%

Bond Yield	-	6.385%		
Arbitrage Yield	-	6.385%	4.003%	5.292%
True Interest Cost	-	6.426%	4.003%	5.313%

Minimum Coverage	1.26x		1.26x
Average Coverage	2.20x		1.41x
Final Maturity	1/0/1900		12/1/2046

Total Qualified Project Costs 923,565,063  
 TIFIA 33% Limitation 307,855,021

(1) TIFIA rate assumed at 4.00% (current market + 80bps)  
 (2) For subsidy cost of credit assistance  
 (3) Includes stipend, success fee, and upfront administrative costs to KABATA

Private Equity from P3 Contractor, See Page 5

In 2011 TIFIA application, Cover Ratio was 1.39, in 2011 TIGER Grant application, 1.29

In 5 different "Pro-Forma" spreadsheets produced by KABATA, the Cover Ratio number is the most consistent, ranging from 1.25 to 1.39

With Annotations from Bob French & Jamie Kenworthy  
 Un-Annotated version of this document available at KABATA's website:  
<http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>

**Knik Arm Bridge and Toll Authority** **Phase I**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

**ASSUMPTIONS**

---

<b>Derivation of DSRF Requirement</b>	
Gov. Purpose	
10% of Par	-
Maximum Annual Debt Service	-
125% of Average Annual Debt Service	-
<b>Minimum of 3 tests</b>	-
<b>PABs</b>	
10% of Par	40,390,500
Maximum Annual Debt Service	61,738,657
125% of Average Annual Debt Service	42,381,352
<b>Deposit</b>	40,390,500
<b>TIFIA Eligible Costs</b>	
Project Costs	715,882,350
KABATA Debt Service Reserve Fund Deposit	40,390,500
KABATA Capitalized Interest Deposit	72,896,845
Bond Insurance	-
Cost of Issuance	6,808,575
Development Phase: Public Investment (1)	82,402,246
Underwriter's Discount	2,019,525
Upfront Payment	3,165,022
<b>Total Eligible TIFIA Costs</b>	<b>923,565,063</b>
Maximum Capacity Constraint	307,855,021
Actual TIFIA Loan Amount Used	307,855,021
<b>2016 Initial Toll Rate</b>	<b>\$5.00</b>
<b>2011 Initial Toll Rate (PV @ 2.50%)</b>	<b>\$4.53</b>
<b>Annual Toll Rate Increase After 2016</b>	<b>2.500%</b>
<b>Costs of Issuance</b>	
Bonds	1.500%
TIFIA	750,000
<b>Underwriter's Discount</b>	
Bonds	0.500%
<b>Insurance (% of Total DS)</b>	<b>0.000%</b>
(1) Includes \$15 million commerce grant for Pt Mackenzie Rd upgrade and \$67.4 million KABATA development phase expenses	

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

Phase I

Phase I: Outstanding Debt and Equity (\$000's)

Date	GP CIBs Debt	GP CABs Debt	Total GP Tax-Exempt Debt	PABs Debt	TIFIA Debt	Total Debt	Equity	Total Debt and Equity	Debt %	Equity%
12/1/16	-	-	-	403,905	318,511	722,416	120,258	842,674	85.729%	14.271%
12/1/17	-	-	-	403,905	331,390	735,295	126,535	861,830	85.318%	14.682%
12/1/18	-	-	-	403,905	344,790	748,695	127,794	876,489	85.420%	14.580%
12/1/19	-	-	-	403,905	358,730	762,635	127,592	890,228	85.667%	14.333%
12/1/20	-	-	-	403,905	365,916	769,821	133,480	903,301	85.223%	14.777%
12/1/21	-	-	-	403,905	365,816	769,721	139,820	909,541	84.627%	15.373%
12/1/22	-	-	-	403,905	365,716	769,621	146,500	916,121	84.009%	15.991%
12/1/23	-	-	-	403,905	365,616	769,521	153,884	923,406	83.335%	16.665%
12/1/24	-	-	-	403,445	365,516	768,961	161,705	930,666	82.625%	17.375%
12/1/25	-	-	-	401,110	365,416	766,526	170,084	936,610	81.840%	18.160%
12/1/26	-	-	-	397,115	365,316	762,431	178,987	941,418	80.987%	19.013%
12/1/27	-	-	-	390,925	365,216	756,141	188,540	944,681	80.042%	19.958%
12/1/28	-	-	-	382,625	365,116	747,741	198,483	946,224	79.024%	20.976%
12/1/29	-	-	-	370,835	365,016	735,851	209,203	945,054	77.863%	22.137%
12/1/30	-	-	-	356,610	364,916	721,526	220,611	942,137	76.584%	23.416%
12/1/31	-	-	-	339,060	364,816	703,876	233,059	936,935	75.125%	24.875%
12/1/32	-	-	-	319,020	364,716	683,736	246,419	930,155	73.508%	26.492%
12/1/33	-	-	-	295,330	364,616	659,946	233,653	893,599	73.853%	26.147%
12/1/34	-	-	-	295,330	364,516	659,846	226,964	886,810	74.407%	25.593%
12/1/35	-	-	-	284,265	364,416	648,681	207,626	856,307	75.753%	24.247%
12/1/36	-	-	-	284,265	364,316	648,581	184,978	833,560	77.809%	22.191%
12/1/37	-	-	-	284,265	364,216	648,481	190,634	839,115	77.282%	22.718%
12/1/38	-	-	-	251,625	364,116	615,741	196,477	812,219	75.810%	24.190%
12/1/39	-	-	-	214,925	364,016	578,941	202,636	781,577	74.073%	25.927%
12/1/40	-	-	-	174,300	363,916	538,216	208,689	746,905	72.059%	27.941%
12/1/41	-	-	-	127,735	363,816	491,551	215,005	706,557	69.570%	30.430%
12/1/42	-	-	-	76,295	363,716	440,011	221,560	661,571	66.510%	33.490%
12/1/43	-	-	-	19,485	363,616	383,101	220,126	603,227	63.509%	36.491%
12/1/44	-	-	-	-	288,901	288,901	226,626	515,527	56.040%	43.960%
12/1/45	-	-	-	-	221,434	221,434	233,529	454,963	48.671%	51.329%
12/1/46	-	-	-	-	149,735	149,735	241,571	391,306	38.265%	61.735%
12/1/47	-	-	-	-	76,264	76,264	250,646	326,910	23.329%	76.671%
12/1/48	-	-	-	-	-	-	178,785	178,785	-	100.000%
12/1/49	-	-	-	-	-	-	96,133	96,133	-	100.000%
12/1/50	-	-	-	-	-	-	0	0	-	100.000%

**Knik Arm Bridge and Toll Authority  
Federalization of Sections 2-5, with TIFIA Optimization  
Private Model - Availability Payment Structure - Rate at +0.50% above Market  
Private Activity Bonds Only**

Phase I

**EBITDA**

Date	Toll Revenue	Availability Payment	Interest Income Earnings	2.50% O&M	2.50% Tolling Operations	2.50% Renewal CapEx	Cash Available for Debt Service
<b>Total</b>	-	2,980,396,076	74,318,520	(119,247,079)	(191,932,714)	(109,321,804)	2,634,212,999
12/1/13	-	-	-	-	-	-	-
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	34,268,000	1,211,715	(1,861,725)	(1,704,000)	(867,505)	31,046,485
12/1/17	-	38,038,720	1,211,715	(2,165,827)	(1,905,000)	(868,374)	34,311,234
12/1/18	-	43,880,269	1,211,715	(2,020,124)	(2,091,000)	(876,619)	40,104,241
12/1/19	-	45,795,480	1,211,715	(2,145,107)	(2,263,000)	(878,383)	41,720,704
12/1/20	-	51,787,299	1,211,715	(2,107,097)	(2,412,000)	(879,333)	47,600,584
12/1/21	-	53,858,791	1,211,715	(2,397,298)	(2,553,000)	(1,186,478)	48,933,729
12/1/22	-	56,013,142	1,211,715	(2,273,668)	(2,699,000)	(1,187,486)	51,064,704
12/1/23	-	58,253,668	1,211,715	(2,565,983)	(2,853,000)	(2,404,138)	51,642,262
12/1/24	-	60,583,815	1,211,715	(2,412,134)	(3,014,000)	(2,404,364)	53,965,032
12/1/25	-	63,007,167	1,211,715	(2,707,185)	(3,209,000)	(2,405,465)	55,897,232
12/1/26	-	65,527,454	1,211,715	(2,559,033)	(3,411,000)	(2,398,129)	58,371,007
12/1/27	-	68,148,552	1,211,715	(2,771,252)	(3,623,000)	(2,399,297)	60,566,718
12/1/28	-	70,874,494	1,211,715	(2,714,878)	(3,844,000)	(1,177,536)	64,349,795
12/1/29	-	73,709,474	1,211,715	(3,145,128)	(4,077,000)	(1,178,775)	66,520,286
12/1/30	-	76,657,853	1,211,715	(2,779,103)	(4,300,000)	(1,180,051)	69,610,414
12/1/31	-	79,724,167	1,211,715	(3,119,068)	(4,521,000)	(1,914,812)	71,381,002
12/1/32	-	82,913,134	1,211,715	(3,055,620)	(4,752,000)	(1,916,166)	74,401,063
12/1/33	-	86,229,659	1,211,715	(3,539,869)	(4,995,000)	(1,917,560)	76,988,945
12/1/34	-	89,678,846	1,211,715	(3,241,707)	(5,248,000)	(2,005,203)	80,395,651
12/1/35	-	91,920,817	1,211,715	(3,393,322)	(5,547,000)	(3,750,337)	80,441,873
12/1/36	-	94,218,837	1,211,715	(3,439,126)	(5,810,000)	(4,823,693)	81,357,734
12/1/37	-	96,574,308	1,211,715	(3,984,154)	(6,086,000)	(4,825,262)	82,890,607
12/1/38	-	98,988,666	1,211,715	(3,648,569)	(6,375,000)	(4,826,879)	85,349,933
12/1/39	-	101,463,382	1,211,715	(3,951,142)	(6,675,000)	(4,742,338)	87,306,617
12/1/40	-	103,999,967	1,211,715	(3,734,881)	(6,991,165)	(3,000,399)	91,485,237
12/1/41	-	106,599,966	1,211,715	(4,484,201)	(7,322,305)	(2,172,044)	93,833,130
12/1/42	-	109,264,965	1,211,715	(4,106,497)	(7,669,130)	(2,283,067)	96,417,986
12/1/43	-	111,996,589	41,602,215	(4,447,045)	(8,032,383)	(2,284,941)	138,834,435
12/1/44	-	114,796,504	-	(4,356,582)	(8,412,841)	(2,286,872)	99,740,209
12/1/45	-	117,666,417	-	(4,889,477)	(8,811,320)	(2,288,860)	101,676,759
12/1/46	-	120,608,077	-	(4,621,899)	(9,228,673)	(6,464,809)	100,292,696
12/1/47	-	123,623,279	-	(5,005,188)	(9,665,794)	(8,843,749)	100,108,548
12/1/48	-	126,713,861	-	(4,903,372)	(10,123,619)	(8,845,922)	102,840,948
12/1/49	-	129,881,708	-	(5,680,450)	(10,603,130)	(8,848,159)	104,749,968
12/1/50	-	133,128,750	-	(5,019,368)	(11,105,353)	(8,988,800)	108,015,229
12/1/51	-	-	-	-	-	-	-

These Availability Payments total \$1.3 Billion through 2035

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

Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only

In Jamie's "Real Cost", this is reduced to 10%

Phase I

This is the Equity from the P3 Contractor

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	2,634,212,999	(968,318,205)		(745,852,801)			920,041,992	79,495,439
12/1/13	-	-	-	-	-	-	-	-
12/1/14	-	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-	-
12/1/16	31,046,485	(24,601,067)	1.26x	-	1.26x	1.26x	6,445,418	4,043,935
12/1/17	34,311,234	(25,723,722)	1.33x	-	1.33x	1.33x	8,587,512	4,795,222
12/1/18	40,104,241	(25,723,722)	1.56x	-	1.56x	1.56x	14,380,519	7,146,677
12/1/19	41,720,704	(25,723,722)	1.62x	-	1.62x	1.62x	15,996,983	7,075,481
12/1/20	47,600,584	(22,970,777)	2.07x	(14,747,642)	1.26x	1.26x	9,882,164	3,890,077
12/1/21	48,933,729	(24,031,152)	2.04x	(14,743,642)	1.26x	1.26x	10,158,935	3,559,120
12/1/22	51,064,704	(25,723,722)	1.99x	(14,739,642)	1.26x	1.26x	10,601,340	3,305,548
12/1/23	51,642,262	(26,183,722)	1.97x	(14,735,642)	1.26x	1.26x	10,722,899	2,975,659
12/1/24	53,965,032	(28,033,422)	1.93x	(14,731,642)	1.26x	1.26x	11,199,968	2,766,152
12/1/25	55,897,232	(29,562,195)	1.89x	(14,727,642)	1.26x	1.26x	11,607,395	2,551,422
12/1/26	58,371,007	(31,528,281)	1.85x	(14,723,642)	1.26x	1.26x	12,119,084	2,370,858
12/1/27	60,566,718	(33,276,785)	1.82x	(14,719,642)	1.26x	1.26x	12,570,291	2,188,615
12/1/28	64,349,795	(36,273,765)	1.77x	(14,715,642)	1.26x	1.26x	13,360,388	2,070,291
12/1/29	66,520,286	(37,996,649)	1.75x	(14,711,642)	1.26x	1.26x	13,811,995	1,904,833
12/1/30	69,610,414	(40,452,502)	1.72x	(14,707,642)	1.26x	1.26x	14,450,270	1,773,637
12/1/31	71,381,002	(41,857,912)	1.71x	(14,703,642)	1.26x	1.26x	14,819,449	1,618,860
12/1/32	74,401,063	(44,255,412)	1.68x	(14,699,642)	1.26x	1.26x	15,446,009	1,501,695
12/1/33	76,988,945	(49,070,573)	4.04x	(14,695,642)	2.28x	2.28x	43,222,730	3,739,950
12/1/34	80,395,651	(30,135,573)	2.67x	(14,691,642)	1.79x	1.79x	35,568,436	2,739,092
12/1/35	80,441,873	(18,363,519)	4.38x	(14,687,642)	2.43x	2.43x	47,390,712	3,248,055
12/1/36	81,357,734	(18,363,519)	4.43x	(14,683,642)	2.46x	2.46x	48,310,572	2,946,868
12/1/37	82,890,607	(51,003,519)	1.63x	(14,679,642)	1.26x	1.26x	17,207,446	934,164
12/1/38	85,349,933	(52,954,975)	1.61x	(14,675,642)	1.26x	1.26x	17,719,316	856,134
12/1/39	87,306,617	(54,509,155)	1.60x	(14,671,642)	1.26x	1.26x	18,125,820	779,437
12/1/40	91,485,237	(57,824,780)	1.58x	(14,667,642)	1.26x	1.26x	18,992,815	726,877
12/1/41	93,833,130	(59,691,681)	1.57x	(14,663,642)	1.26x	1.26x	19,477,807	663,437
12/1/42	96,417,986	(61,738,657)	1.56x	(14,659,642)	1.26x	1.26x	20,019,686	606,884
12/1/43	138,834,435	(20,743,731)	6.69x	(89,271,071)	1.26x	1.26x	28,819,633	777,544
12/1/44	99,740,209	-	-	(79,033,446)	1.26x	1.26x	20,706,763	497,207
12/1/45	101,676,759	-	-	(80,567,955)	1.26x	1.26x	21,108,804	451,104
12/1/46	100,292,696	-	-	(79,471,234)	1.26x	1.26x	20,821,463	396,016
12/1/47	100,108,548	-	-	(79,325,322)	1.26x	1.26x	20,783,226	351,805
12/1/48	102,840,948	-	-	-	-	-	102,840,948	1,549,329
12/1/49	104,749,968	-	-	-	-	-	104,749,968	1,404,494
12/1/50	108,015,229	-	-	-	-	-	108,015,229	1,288,959

P3 Contractor receives net cashflow

This \$45,410,432 being taken out by the P3 Contractor BEFORE payment of Federal TIFIA loans is not allowed by present TIFIA guidelines KABATA claims that they are "grandfathered"

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

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	Capl Interest Draws	Prepaid Interest Draws	PABs Annual DS	TIFIA Annual DS	Net Annual DS
Total	-	-	-	-	1,051,057,538	(77,171,165)	(5,568,168)	968,318,205	745,852,801	1,714,171,007
12/1/13	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/14	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/15	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/16	-	-	-	-	25,723,722	-	(1,122,655)	24,601,067	-	24,601,067
12/1/17	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/18	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/19	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/20	-	-	-	-	25,723,722	-	(2,752,944)	22,970,777	14,747,642	37,718,420
12/1/21	-	-	-	-	25,723,722	-	(1,692,569)	24,031,152	14,743,642	38,774,795
12/1/22	-	-	-	-	25,723,722	-	-	25,723,722	14,739,642	40,463,364
12/1/23	-	-	-	-	26,183,722	-	-	26,183,722	14,735,642	40,919,364
12/1/24	-	-	-	-	28,033,422	-	-	28,033,422	14,731,642	42,765,064
12/1/25	-	-	-	-	29,562,195	-	-	29,562,195	14,727,642	44,289,837
12/1/26	-	-	-	-	31,528,281	-	-	31,528,281	14,723,642	46,251,923
12/1/27	-	-	-	-	33,276,785	-	-	33,276,785	14,719,642	47,996,427
12/1/28	-	-	-	-	36,273,765	-	-	36,273,765	14,715,642	50,989,407
12/1/29	-	-	-	-	37,996,649	-	-	37,996,649	14,711,642	52,708,291
12/1/30	-	-	-	-	40,452,502	-	-	40,452,502	14,707,642	55,160,144
12/1/31	-	-	-	-	41,857,912	-	-	41,857,912	14,703,642	56,561,554
12/1/32	-	-	-	-	44,255,412	-	-	44,255,412	14,699,642	58,955,054
12/1/33	-	-	-	-	19,070,573	-	-	19,070,573	14,695,642	33,766,215
12/1/34	-	-	-	-	30,135,573	-	-	30,135,573	14,691,642	44,827,215
12/1/35	-	-	-	-	18,363,519	-	-	18,363,519	14,687,642	33,051,161
12/1/36	-	-	-	-	18,363,519	-	-	18,363,519	14,683,642	33,047,161
12/1/37	-	-	-	-	51,003,519	-	-	51,003,519	14,679,642	65,683,161
12/1/38	-	-	-	-	52,954,975	-	-	52,954,975	14,675,642	67,630,617
12/1/39	-	-	-	-	54,509,155	-	-	54,509,155	14,671,642	69,180,797
12/1/40	-	-	-	-	57,824,780	-	-	57,824,780	14,667,642	72,492,422
12/1/41	-	-	-	-	59,691,681	-	-	59,691,681	14,663,642	74,355,323
12/1/42	-	-	-	-	61,738,657	-	-	61,738,657	14,659,642	76,398,299
12/1/43	-	-	-	-	20,743,731	-	-	20,743,731	89,271,071	110,014,802
12/1/44	-	-	-	-	-	-	-	-	79,033,446	79,033,446
12/1/45	-	-	-	-	-	-	-	-	80,567,955	80,567,955
12/1/46	-	-	-	-	-	-	-	-	79,471,234	79,471,234
12/1/47	-	-	-	-	-	-	-	-	79,325,322	79,325,322
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	-	-	-	-	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only**

Phase I

**AVAILABILITY PAYMENT SURPLUS (SHORTFALL)**

Date	Toll Revenue	Availability Payment	GP Total Annual DS	KABATA Administrative Costs	Net State Surplus (Shortfall)	PV @ 5.000%	Cumulative Deficit/Return
Total	4,525,935,828	(2,980,396,076)	-	(170,661,726)	1,374,878,025	269,685,989	
12/1/13	-	-	-	-	-	-	-
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	16,024,000	1.53 (34,268,000)	-	(2,945,406)	(21,189,406)	(17,391,132)	(21,189,406)
12/1/17	24,543,000	1.30 (38,038,720)	-	(3,028,146)	(16,523,866)	(12,908,417)	(37,713,272)
12/1/18	32,007,000	1.20 (43,880,269)	-	(3,113,227)	(14,986,495)	(11,143,297)	(52,699,767)
12/1/19	38,457,000	1.13 (45,795,480)	-	(3,200,716)	(10,539,195)	(7,458,875)	(63,238,963)
12/1/20	43,317,000	1.09 (51,787,299)	-	(3,290,682)	(11,760,981)	(7,922,490)	(74,999,944)
12/1/21	47,428,000	1.09 (53,858,791)	-	(3,383,196)	(9,813,987)	(6,292,394)	(84,813,930)
12/1/22	51,689,000	1.09 (56,013,142)	-	(3,478,330)	(7,802,473)	(4,761,622)	(92,616,403)
12/1/23	56,124,000	1.08 (58,253,668)	-	(3,576,159)	(5,705,827)	(3,314,314)	(98,322,231)
12/1/24	60,778,000	1.11 (60,583,815)	-	(3,676,761)	(3,482,575)	(1,925,430)	(101,804,806)
12/1/25	67,251,000	1.09 (63,007,167)	-	(3,780,212)	463,620	243,973	(101,341,186)
12/1/26	73,911,000	1.09 (65,527,454)	-	(3,886,597)	4,496,949	2,252,422	(96,844,266)
12/1/27	80,839,000	1.09 (68,148,552)	-	(3,995,997)	8,694,451	4,145,016	(88,149,785)
12/1/28	88,028,000	1.09 (70,874,494)	-	(4,108,499)	13,045,007	5,919,440	(75,104,779)
12/1/29	95,572,000	1.07 (73,709,474)	-	(4,224,192)	17,638,334	7,618,091	(57,466,445)
12/1/30	102,218,000	1.06 (76,657,853)	-	(4,343,167)	21,216,980	8,722,167	(36,249,465)
12/1/31	108,408,000	1.06 (79,724,167)	-	(4,465,517)	24,218,316	9,476,262	(12,031,149)
12/1/32	114,789,000	1.06 (82,913,134)	-	(4,591,339)	27,284,527	10,161,594	15,253,379
12/1/33	121,486,000	1.06 (86,229,659)	-	(4,720,732)	30,535,609	10,824,410	45,788,988
12/1/34	128,385,000	1.07 (89,678,846)	-	(4,853,798)	33,852,356	11,421,912	79,641,344
12/1/35	137,619,000	1.05 (91,920,817)	-	(4,990,642)	40,707,541	13,073,054	120,348,885
12/1/36	144,232,000	1.05 (94,218,837)	-	(5,131,373)	44,881,790	13,719,069	165,230,675
12/1/37	151,137,000	1.05 (96,574,308)	-	(5,276,100)	49,286,592	14,339,550	214,517,267
12/1/38	158,254,000	1.05 (98,988,666)	-	(5,424,939)	53,840,395	14,909,643	268,357,662
12/1/39	165,550,000	1.05 (101,463,382)	-	(5,578,007)	58,508,610	15,421,657	326,866,272
12/1/40	173,260,474	1.05 (103,999,967)	-	(5,735,426)	63,525,082	15,937,081	390,391,354
12/1/41	181,330,104	1.05 (106,599,966)	-	(5,878,811)	68,851,326	16,440,996	459,242,680
12/1/42	189,775,620	1.05 (109,264,965)	-	(6,025,781)	74,484,873	16,929,189	533,727,553
12/1/43	198,614,533	1.05 (111,996,589)	-	(6,176,426)	80,441,518	17,402,058	614,169,071
12/1/44	207,865,171	1.05 (114,796,504)	-	(6,330,837)	86,737,831	17,859,988	700,906,902
12/1/45	217,546,714	1.05 (117,666,417)	-	(6,489,108)	93,391,190	18,303,359	794,298,092
12/1/46	227,679,237	1.05 (120,608,077)	-	(6,651,335)	100,419,824	18,732,538	894,717,917
12/1/47	238,283,748	1.05 (123,623,279)	-	(6,817,619)	107,842,851	19,147,884	1,002,560,767
12/1/48	249,382,237	1.05 (126,713,861)	-	(6,988,059)	115,680,317	19,549,748	1,118,241,084
12/1/49	260,997,717	1.05 (129,881,708)	-	(7,162,761)	123,953,249	19,938,472	1,242,194,333
12/1/50	273,154,272	1.05 (133,128,750)	-	(7,341,830)	132,683,692	20,314,390	1,374,878,025
12/1/51							

Phase 2 with 4 lanes to open in 2030



Traffic & Toll Forecasts by Wilbur Smith Associates stops at 2039. Note revenue rates apparently use a factor of 1.04657 from the previous year

Note, toll revenues match estimates in TIFIA Application. Thus KABATA is counting on revenues from more than 18,000 AADT starting in 2022

Calculated Yearly increase in Revenue.

KABATA is showing positive cash flow only after 2031



Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only

Phase I

This is the \$150 Million "Reserve Fund" that would be created by SB60 and HB158

STATE RESERVE FUND ←

Date	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Phase II Surplus Withdrawals	Ending Balance
<b>Total</b>		1,476,682,831	157,819,069	-	(101,804,806)	(1,532,697,095)	-	
12/1/13	150,000,000	-	4,500,000	-	-	-	-	154,500,000
12/1/14	154,500,000	-	4,635,000	-	-	-	-	159,135,000
12/1/15	159,135,000	-	4,774,050	-	-	-	-	163,909,050
12/1/16	163,909,050	-	4,917,272	-	(21,189,406)	-	-	147,636,915
12/1/17	147,636,915	-	4,429,107	-	(16,523,866)	-	-	135,542,157
12/1/18	135,542,157	-	4,066,265	-	(14,986,495)	-	-	124,621,926
12/1/19	124,621,926	-	3,738,658	-	(10,539,195)	-	-	117,821,389
12/1/20	117,821,389	-	3,534,642	-	(11,760,981)	-	-	109,595,050
12/1/21	109,595,050	-	3,287,851	-	(9,813,987)	-	-	103,068,914
12/1/22	103,068,914	-	3,092,067	-	(7,802,473)	-	-	98,358,509
12/1/23	98,358,509	-	2,950,755	-	(5,705,827)	-	-	95,603,437
12/1/24	95,603,437	-	2,868,103	-	(3,482,575)	-	-	94,988,965
12/1/25	94,988,965	463,620	2,849,669	-	-	-	-	98,302,254
12/1/26	98,302,254	4,496,949	2,949,068	-	-	-	-	105,748,271
12/1/27	105,748,271	8,694,451	3,172,448	-	-	-	-	117,615,170
12/1/28	117,615,170	13,045,007	3,528,455	-	-	-	-	134,188,631
12/1/29	134,188,631	17,638,334	4,025,659	-	-	(5,852,624)	-	150,000,000
12/1/30	150,000,000	21,216,980	4,500,000	-	-	(25,716,980)	-	150,000,000
12/1/31	150,000,000	24,218,316	4,500,000	-	-	(28,718,316)	-	150,000,000
12/1/32	150,000,000	27,284,527	4,500,000	-	-	(31,784,527)	-	150,000,000
12/1/33	150,000,000	30,535,609	4,500,000	-	-	(35,035,609)	-	150,000,000
12/1/34	150,000,000	33,852,356	4,500,000	-	-	(38,352,356)	-	150,000,000
12/1/35	150,000,000	40,707,541	4,500,000	-	-	(45,207,541)	-	150,000,000
12/1/36	150,000,000	44,881,790	4,500,000	-	-	(49,381,790)	-	150,000,000
12/1/37	150,000,000	49,286,592	4,500,000	-	-	(53,786,592)	-	150,000,000
12/1/38	150,000,000	53,840,395	4,500,000	-	-	(58,340,395)	-	150,000,000
12/1/39	150,000,000	58,508,610	4,500,000	-	-	(63,008,610)	-	150,000,000
12/1/40	150,000,000	63,525,082	4,500,000	-	-	(68,025,082)	-	150,000,000
12/1/41	150,000,000	68,851,326	4,500,000	-	-	(73,351,326)	-	150,000,000
12/1/42	150,000,000	74,484,873	4,500,000	-	-	(78,984,873)	-	150,000,000
12/1/43	150,000,000	80,441,518	4,500,000	-	-	(84,941,518)	-	150,000,000
12/1/44	150,000,000	86,737,831	4,500,000	-	-	(91,237,831)	-	150,000,000
12/1/45	150,000,000	93,391,190	4,500,000	-	-	(97,891,190)	-	150,000,000
12/1/46	150,000,000	100,419,824	4,500,000	-	-	(104,919,824)	-	150,000,000
12/1/47	150,000,000	107,842,851	4,500,000	-	-	(112,342,851)	-	150,000,000
12/1/48	150,000,000	115,680,317	4,500,000	-	-	(120,180,317)	-	150,000,000
12/1/49	150,000,000	123,953,249	4,500,000	-	-	(128,453,249)	-	150,000,000
12/1/50	150,000,000	132,683,692	4,500,000	-	-	(137,183,692)	-	150,000,000
12/1/51								

- (1) If ending balance falls below \$50 million, the State will replenish the account back to \$50 million.
- (2) In the event of a negative Draws on Reserve balance, the reserve fund will be tapped to make up this shortfall.
- (3) If ending balance exceeds \$150 million plus state replenishment, if any, the balance over such amount is available for release.

This "guarantee" that the State will replenish the account also appears on Page24.2 of this Pro-Forma, and on Page 7 and page 27.2 of KABATA's October 2011 TIGER Grant application, and on page 7 of KABATA's March 2011 TIFIA application

Remaining pages of this document are not printed, but are available for view at <http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf>

Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only

Phase I

CONSTRUCTION FUND

Date	Days 30/360	Beginning Balance	PABs Bond Proceeds Initial Deposit	Federal Monies Initial Deposit	GP Bond Proceeds Const. Fund	Equity Deposit	Interim Financing	TIFIA Deposit	Shortfall	Total Deposits	Interest Earnings 0.50%	All Construction Draws	Ending Balance
<b>Total</b>			280,923,935	52,495,013	-	62,578,225	-	307,855,021	-	713,852,194	2,040,172	715,882,350	
12/1/12		-	280,923,935	62,495,013	-	-	-	-	-	343,418,948	-	-	343,418,948
1/1/13	30	343,418,948	-	-	-	-	-	-	-	-	143,091	5,347,627	338,214,412
2/1/13	30	338,214,412	-	-	-	-	-	-	-	-	140,923	5,347,627	333,007,707
3/1/13	30	333,007,707	-	-	-	-	-	-	-	-	138,753	5,347,627	327,798,833
4/1/13	30	327,798,833	-	-	-	-	-	-	-	-	136,583	5,973,680	321,961,736
5/1/13	30	321,961,736	-	-	-	-	-	-	-	-	134,151	5,973,680	316,122,207
6/1/13	30	316,122,207	-	-	-	-	-	-	-	-	131,718	5,973,680	310,280,244
7/1/13	30	310,280,244	-	-	-	-	-	-	-	-	129,283	16,108,405	294,301,123
8/1/13	30	294,301,123	-	-	-	-	-	-	-	-	122,625	16,108,405	278,315,344
9/1/13	30	278,315,344	-	-	-	-	-	-	-	-	115,965	16,108,405	262,322,904
10/1/13	30	262,322,904	-	-	-	-	-	-	-	-	109,301	14,959,802	247,472,404
11/1/13	30	247,472,404	-	-	-	-	-	-	-	-	103,114	14,959,802	232,615,716
12/1/13	30	232,615,716	-	-	-	-	-	-	-	-	96,923	14,959,802	217,752,837
1/1/14	30	217,752,837	-	-	-	-	-	-	-	-	90,730	9,061,439	208,782,128
2/1/14	30	208,782,128	-	-	-	-	-	-	-	-	86,993	9,061,439	199,807,682
3/1/14	30	199,807,682	-	-	-	-	-	-	-	-	83,253	9,061,439	190,829,496
4/1/14	30	190,829,496	-	-	-	-	-	-	-	-	79,512	29,910,416	160,998,592
5/1/14	30	160,998,592	-	-	-	-	-	-	-	-	67,083	29,910,416	131,155,258
6/1/14	30	131,155,258	-	-	-	-	-	-	-	-	54,648	29,910,416	101,299,490
7/1/14	30	101,299,490	-	-	-	-	-	-	-	-	42,208	41,020,571	60,321,127
8/1/14	30	60,321,127	-	-	-	-	-	-	-	-	25,134	41,020,571	19,325,689
9/1/14	30	19,325,689	-	-	-	21,696,717	-	-	-	21,696,717	8,052	41,020,571	9,887
10/1/14	30	9,887	-	-	-	27,385,245	-	-	-	27,385,245	4	27,385,245	9,892
11/1/14	30	9,892	-	-	-	13,496,263	-	13,888,983	-	27,385,245	4	27,385,245	9,896
12/1/14	30	9,896	-	-	-	-	-	27,385,245	-	27,385,245	4	27,385,245	9,900
1/1/15	30	9,900	-	-	-	-	-	10,209,114	-	10,209,114	4	10,209,114	9,904
2/1/15	30	9,904	-	-	-	-	-	10,209,114	-	10,209,114	4	10,209,114	9,908
3/1/15	30	9,908	-	-	-	-	-	10,209,114	-	10,209,114	4	10,209,114	9,912
4/1/15	30	9,912	-	-	-	-	-	35,140,824	-	35,140,824	4	35,140,824	9,916
5/1/15	30	9,916	-	-	-	-	-	35,140,824	-	35,140,824	4	35,140,824	9,921
6/1/15	30	9,921	-	-	-	-	-	35,140,824	-	35,140,824	4	35,140,824	9,925
7/1/15	30	9,925	-	-	-	-	-	30,057,730	-	30,057,730	4	30,057,730	9,929
8/1/15	30	9,929	-	-	-	-	-	30,057,730	-	30,057,730	4	30,057,730	9,933
9/1/15	30	9,933	-	-	-	-	-	30,057,730	-	30,057,730	4	30,057,730	9,937
10/1/15	30	9,937	-	-	-	-	-	13,452,596	-	13,452,596	4	13,452,596	9,941
11/1/15	30	9,941	-	-	-	-	-	13,452,596	-	13,452,596	4	13,452,596	9,945
12/1/15	30	9,945	-	-	-	-	-	13,452,596	-	13,452,596	4	13,452,596	9,949
1/1/16	30	9,949	-	-	-	-	-	-	-	-	4	-	9,954
2/1/16	30	9,954	-	-	-	-	-	-	-	-	4	-	9,958
3/1/16	30	9,958	-	-	-	-	-	-	-	-	4	-	9,962
4/1/16	30	9,962	-	-	-	-	-	-	-	-	4	-	9,966
5/1/16	30	9,966	-	-	-	-	-	-	-	-	4	-	9,970
6/1/16	30	9,970	-	-	-	-	-	-	-	-	4	-	9,974
7/1/16	30	9,974	-	-	-	-	-	-	-	-	4	-	9,978
8/1/16	30	9,978	-	-	-	-	-	-	-	-	4	-	9,982
9/1/16	30	9,982	-	-	-	-	-	-	-	-	4	-	9,986
10/1/16	30	9,986	-	-	-	-	-	-	-	-	4	-	9,990
11/1/16	30	9,990	-	-	-	-	-	-	-	-	4	-	9,994
12/1/16	30	9,994	-	-	-	-	-	-	-	-	4	-	9,998
1/1/17	30	9,998	-	-	-	-	-	-	-	-	4	-	10,002
2/1/17	30	10,002	-	-	-	-	-	-	-	-	4	-	10,006
3/1/17	30	10,006	-	-	-	-	-	-	-	-	4	-	10,010
4/1/17	30	10,010	-	-	-	-	-	-	-	-	4	-	10,014

Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only

Phase I

CONSTRUCTION FUND SECTIONS 6-10

Date	Days (30/360)	Beginning Balance	Maximum Total GP Deposits	Federal Monies Deposits	Interest Earnings 0.50%	Sec. 6-10 Construction Draws	Ending Balance
Total		-	-	-	-	-	-
12/1/12		-	-	-	-	-	-
1/1/13	30	-	-	-	-	-	-
2/1/13	30	-	-	-	-	-	-
3/1/13	30	-	-	-	-	-	-
4/1/13	30	-	-	-	-	-	-
5/1/13	30	-	-	-	-	-	-
6/1/13	30	-	-	-	-	-	-
7/1/13	30	-	-	-	-	-	-
8/1/13	30	-	-	-	-	-	-
9/1/13	30	-	-	-	-	-	-
10/1/13	30	-	-	-	-	-	-
11/1/13	30	-	-	-	-	-	-
12/1/13	30	-	-	-	-	-	-
1/1/14	30	-	-	-	-	-	-
2/1/14	30	-	-	-	-	-	-
3/1/14	30	-	-	-	-	-	-
4/1/14	30	-	-	-	-	-	-
5/1/14	30	-	-	-	-	-	-
6/1/14	30	-	-	-	-	-	-
7/1/14	30	-	-	-	-	-	-
8/1/14	30	-	-	-	-	-	-
9/1/14	30	-	-	-	-	-	-
10/1/14	30	-	-	-	-	-	-
11/1/14	30	-	-	-	-	-	-
12/1/14	30	-	-	-	-	-	-
1/1/15	30	-	-	-	-	-	-
2/1/15	30	-	-	-	-	-	-
3/1/15	30	-	-	-	-	-	-
4/1/15	30	-	-	-	-	-	-
5/1/15	30	-	-	-	-	-	-
6/1/15	30	-	-	-	-	-	-
7/1/15	30	-	-	-	-	-	-
8/1/15	30	-	-	-	-	-	-
9/1/15	30	-	-	-	-	-	-
10/1/15	30	-	-	-	-	-	-
11/1/15	30	-	-	-	-	-	-
12/1/15	30	-	-	-	-	-	-
1/1/16	30	-	-	-	-	-	-
2/1/16	30	-	-	-	-	-	-
3/1/16	30	-	-	-	-	-	-
4/1/16	30	-	-	-	-	-	-
5/1/16	30	-	-	-	-	-	-
6/1/16	30	-	-	-	-	-	-
7/1/16	30	-	-	-	-	-	-
8/1/16	30	-	-	-	-	-	-
9/1/16	30	-	-	-	-	-	-
10/1/16	30	-	-	-	-	-	-
11/1/16	30	-	-	-	-	-	-
12/1/16	30	-	-	-	-	-	-
1/1/17	30	-	-	-	-	-	-
2/1/17	30	-	-	-	-	-	-
3/1/17	30	-	-	-	-	-	-
4/1/17	30	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only**

**ANNUAL COSTS (000's)**

	2012	QE 3/31/13	QE 6/30/13	QE 9/30/13	QE 12/31/13	QE 3/31/14	QE 6/30/14	QE 9/30/14	QE 12/31/14	QE 3/31/15	QE 6/30/15	QE 9/30/15	QE 12/31/15	QE 3/31/16	QE 6/30/16	QE 9/30/16	QE 12/31/16	Total Cost	
Construction Summary																			
Section:																			
2. Port MacKenzie Northern Route	-	26	842	2,204	2,196	-	1,625	2,447	853	-	1,310	1,804	1,144	-	-	-	-	14,452	
3. West Approach	-	35	4,162	5,283	4,668	36	11,191	11,231	1,034	-	893	213	308	-	-	-	-	39,053	
4. Bridge	-	-	-	21,810	22,028	22,249	38,781	42,141	30,204	27,163	54,091	44,441	4,886	-	-	-	-	307,795	
5. East Approach	-	-	-	-	-	-	83	13,903	9,872	64	33,695	33,908	20,146	-	-	-	-	111,671	
6. MOA Future Port Expansion	-	-	66	2,801	2,706	-	-	-	1,308	-	1,339	100	-	-	-	-	-	8,320	
7. Retaining Wall	-	-	1,067	6,422	7,025	-	-	-	-	-	-	-	-	-	-	-	-	14,514	
8. Cherry Hill	-	-	-	-	-	-	1,469	10,646	14,764	-	6,337	1,504	800	-	-	-	-	35,520	
9. Government Hill	-	-	-	-	-	-	31,581	38,444	20,920	-	3,516	2,861	-	-	-	-	-	97,323	
10. Multi-use Pathway	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Construction Summary	-	61	6,138	38,520	38,623	22,284	84,731	118,812	78,956	27,227	101,181	84,832	27,284	-	-	-	-	628,649	
Toll Technology	-	-	-	-	-	-	-	-	-	-	542	1,642	2,974	-	-	-	-	5,157	
Engineering	-	4,750	5,500	4,250	4,250	3,000	3,000	2,250	1,500	1,500	1,500	1,500	2,000	-	-	-	-	35,000	
Project Management	-	850	1,900	2,400	1,850	1,900	2,000	2,000	1,700	1,900	2,200	2,200	8,100	-	-	-	-	29,000	
ICAP	-	382	801	2,161	156	-	-	-	-	-	-	-	-	-	-	-	-	3,500	
Toll Facility/Building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ROW (primarily Government Hill)	-	10,000	3,582	995	-	-	-	-	-	-	-	-	-	-	-	-	-	14,576	
	-	16,043	17,921	48,325	44,879	27,184	89,731	123,062	82,156	30,627	105,422	90,173	40,358	-	-	-	-	715,882	
Total costs attributable to Sections 2-5:	-	16,043	14,613	36,754	33,572	27,184	54,730	72,216	43,664	30,627	93,762	85,427	39,174	-	-	-	-	547,767	
Total costs attributable to Sections 6-10:	-	-	3,308	11,571	11,307	-	35,001	50,846	38,492	-	11,661	4,747	1,183	-	-	-	-	168,116	
	-	16,043	17,921	48,325	44,879	27,184	89,731	123,062	82,156	30,627	105,422	90,173	40,358	-	-	-	-	715,882	

**Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only**

Phase I

**PRIVATE ACTIVITY CURRENT INTEREST BONDS**

Date	Notional	Principal	Proceeds	Coupon	Yield	Price	Interest	Total Debt Service	Annual Debt Service
<b>Total</b>		<b>403,905,000</b>	<b>403,905,000</b>				<b>647,152,538</b>	<b>1,051,057,538</b>	<b>1,051,057,538</b>
12/1/12									
6/1/13	-						12,861,861	12,861,861	
12/1/13	403,905,000	-	-	3.390%	3.390%	100.00	12,861,861	12,861,861	25,723,722
6/1/14	403,905,000						12,861,861	12,861,861	
12/1/14	403,905,000	-	-	3.680%	3.680%	100.00	12,861,861	12,861,861	25,723,722
6/1/15	403,905,000						12,861,861	12,861,861	
12/1/15	403,905,000	-	-	3.940%	3.940%	100.00	12,861,861	12,861,861	25,723,722
6/1/16	403,905,000						12,861,861	12,861,861	
12/1/16	403,905,000	-	-	4.170%	4.170%	100.00	12,861,861	12,861,861	25,723,722
6/1/17	403,905,000						12,861,861	12,861,861	
12/1/17	403,905,000	-	-	4.420%	4.420%	100.00	12,861,861	12,861,861	25,723,722
6/1/18	403,905,000						12,861,861	12,861,861	
12/1/18	403,905,000	-	-	4.660%	4.660%	100.00	12,861,861	12,861,861	25,723,722
6/1/19	403,905,000						12,861,861	12,861,861	
12/1/19	403,905,000	-	-	4.910%	4.910%	100.00	12,861,861	12,861,861	25,723,722
6/1/20	403,905,000						12,861,861	12,861,861	
12/1/20	403,905,000	-	-	5.050%	5.050%	100.00	12,861,861	12,861,861	25,723,722
6/1/21	403,905,000						12,861,861	12,861,861	
12/1/21	403,905,000	-	-	5.200%	5.200%	100.00	12,861,861	12,861,861	25,723,722
6/1/22	403,905,000						12,861,861	12,861,861	
12/1/22	403,905,000	-	-	5.350%	5.350%	100.00	12,861,861	12,861,861	25,723,722
6/1/23	403,905,000						12,861,861	12,861,861	
12/1/23	403,905,000	460,000	460,000	5.500%	5.500%	100.00	12,861,861	13,321,861	26,183,722
6/1/24	403,445,000						12,849,211	12,849,211	
12/1/24	403,445,000	2,335,000	2,335,000	5.620%	5.620%	100.00	12,849,211	15,184,211	28,033,422
6/1/25	401,110,000						12,783,597	12,783,597	
12/1/25	401,110,000	3,995,000	3,995,000	5.730%	5.730%	100.00	12,783,597	16,778,597	29,562,195
6/1/26	397,115,000						12,669,141	12,669,141	
12/1/26	397,115,000	6,190,000	6,190,000	5.840%	5.840%	100.00	12,669,141	18,859,141	31,528,281
6/1/27	390,925,000						12,488,393	12,488,393	
12/1/27	390,925,000	8,300,000	8,300,000	5.940%	5.940%	100.00	12,488,393	20,788,393	33,276,785
6/1/28	382,625,000						12,241,883	12,241,883	
12/1/28	382,625,000	11,790,000	11,790,000	6.040%	6.040%	100.00	12,241,883	24,031,883	36,273,765
6/1/29	370,835,000						11,885,825	11,885,825	
12/1/29	370,835,000	14,225,000	14,225,000	6.110%	6.110%	100.00	11,885,825	26,110,825	37,996,649
6/1/30	356,610,000						11,451,251	11,451,251	
12/1/30	356,610,000	17,550,000	17,550,000	6.180%	6.180%	100.00	11,451,251	29,001,251	40,452,502
6/1/31	339,060,000						10,908,956	10,908,956	
12/1/31	339,060,000	20,040,000	20,040,000	6.250%	6.250%	100.00	10,908,956	30,948,956	41,857,912
6/1/32	319,020,000						10,282,706	10,282,706	
12/1/32	319,020,000	23,690,000	23,690,000	6.310%	6.310%	100.00	10,282,706	33,972,706	44,255,412
6/1/33	295,330,000						9,535,286	9,535,286	
12/1/33	295,330,000	-	-	6.360%	6.360%	100.00	9,535,286	9,535,286	19,070,573
6/1/34	295,330,000						9,535,286	9,535,286	
12/1/34	295,330,000	11,065,000	11,065,000	6.390%	6.390%	100.00	9,535,286	20,600,286	30,135,573
6/1/35	284,265,000						9,181,760	9,181,760	
12/1/35	284,265,000	-	-	6.460%	6.460%	100.00	9,181,760	9,181,760	18,363,519
6/1/36	284,265,000						9,181,760	9,181,760	
12/1/36	284,265,000	-	-	6.460%	6.460%	100.00	9,181,760	9,181,760	18,363,519
6/1/37	284,265,000						9,181,760	9,181,760	
12/1/37	284,265,000	32,640,000	32,640,000	6.460%	6.460%	100.00	9,181,760	41,821,760	51,003,519
6/1/38	251,625,000						8,127,488	8,127,488	
12/1/38	251,625,000	36,700,000	36,700,000	6.460%	6.460%	100.00	8,127,488	44,827,488	52,954,975
6/1/39	214,925,000						6,942,078	6,942,078	
12/1/39	214,925,000	40,625,000	40,625,000	6.460%	6.460%	100.00	6,942,078	47,567,078	54,509,155
6/1/40	174,300,000						5,629,890	5,629,890	
12/1/40	174,300,000	46,565,000	46,565,000	6.460%	6.460%	100.00	5,629,890	52,194,890	57,824,780
6/1/41	127,735,000						4,125,841	4,125,841	
12/1/41	127,735,000	51,440,000	51,440,000	6.460%	6.460%	100.00	4,125,841	55,565,841	59,691,681
6/1/42	76,295,000						2,464,329	2,464,329	
12/1/42	76,295,000	56,810,000	56,810,000	6.460%	6.460%	100.00	2,464,329	59,274,329	61,738,657
6/1/43	19,485,000						629,366	629,366	
12/1/43	19,485,000	19,485,000	19,485,000	6.460%	6.460%	100.00	629,366	20,114,366	20,743,731
6/1/44	-						-	-	
12/1/44	-	-	-	6.460%	6.460%	100.00	-	-	-
6/1/45	-						-	-	
12/1/45	-	-	-	6.460%	6.460%	100.00	-	-	-
6/1/46	-						-	-	
12/1/46	-	-	-	6.460%	6.460%	100.00	-	-	-
6/1/47	-						-	-	
12/1/47	-	-	-	6.460%	6.460%	100.00	-	-	-
6/1/48	-						-	-	
12/1/48	-	-	-	6.460%	6.460%	100.00	-	-	-

**Knik Arm Bridge and Toll Authority** **Phase I**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

**PRIVATE ACTIVITY CAPITALIZED INTEREST FUND**

Date	Beginning Balance	Deposits	Interest 0.50%	Import From DSRF Fund	Interest Draws	Ending Balance
<b>Total</b>		<b>72,896,845</b>	<b>639,175</b>	<b>3,635,145</b>	<b>77,171,165</b>	
12/1/12		72,896,845				72,896,845
6/1/13	72,896,845		182,242	605,857	12,861,861	60,823,084
12/1/13	60,823,084		152,058	605,857	12,861,861	48,719,138
6/1/14	48,719,138		121,798	605,857	12,861,861	36,584,933
12/1/14	36,584,933		91,462	605,857	12,861,861	24,420,392
6/1/15	24,420,392		61,051	605,857	12,861,861	12,225,440
12/1/15	12,225,440		30,564	605,857	12,861,861	-
6/1/16	-		-	-	-	-
12/1/16	-		-	-	-	-
6/1/17	-		-	-	-	-
12/1/17	-		-	-	-	-
6/1/18	-		-	-	-	-
12/1/18	-		-	-	-	-
6/1/19	-		-	-	-	-
12/1/19	-		-	-	-	-
6/1/20	-		-	-	-	-
12/1/20	-		-	-	-	-
6/1/21	-		-	-	-	-
12/1/21	-		-	-	-	-
6/1/22	-		-	-	-	-
12/1/22	-		-	-	-	-
6/1/23	-		-	-	-	-
12/1/23	-		-	-	-	-
6/1/24	-		-	-	-	-
12/1/24	-		-	-	-	-
6/1/25	-		-	-	-	-
12/1/25	-		-	-	-	-
6/1/26	-		-	-	-	-
12/1/26	-		-	-	-	-
6/1/27	-		-	-	-	-
12/1/27	-		-	-	-	-
6/1/28	-		-	-	-	-
12/1/28	-		-	-	-	-
6/1/29	-		-	-	-	-
12/1/29	-		-	-	-	-
6/1/30	-		-	-	-	-
12/1/30	-		-	-	-	-
6/1/31	-		-	-	-	-
12/1/31	-		-	-	-	-
6/1/32	-		-	-	-	-
12/1/32	-		-	-	-	-
6/1/33	-		-	-	-	-
12/1/33	-		-	-	-	-
6/1/34	-		-	-	-	-
12/1/34	-		-	-	-	-
6/1/35	-		-	-	-	-
12/1/35	-		-	-	-	-
6/1/36	-		-	-	-	-
12/1/36	-		-	-	-	-
6/1/37	-		-	-	-	-
12/1/37	-		-	-	-	-
6/1/38	-		-	-	-	-
12/1/38	-		-	-	-	-
6/1/39	-		-	-	-	-
12/1/39	-		-	-	-	-
6/1/40	-		-	-	-	-
12/1/40	-		-	-	-	-
6/1/41	-		-	-	-	-
12/1/41	-		-	-	-	-
6/1/42	-		-	-	-	-
12/1/42	-		-	-	-	-
6/1/43	-		-	-	-	-
12/1/43	-		-	-	-	-
6/1/44	-		-	-	-	-
12/1/44	-		-	-	-	-
6/1/45	-		-	-	-	-
12/1/45	-		-	-	-	-
6/1/46	-		-	-	-	-
12/1/46	-		-	-	-	-
6/1/47	-		-	-	-	-
12/1/47	-		-	-	-	-
6/1/48	-		-	-	-	-
12/1/48	-		-	-	-	-

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

Phase I

**PRIVATE ACTIVITY DEBT SERVICE RESERVE FUND**

Date	Beginning Balance	Deposits	Interest 3.000%	Export to Capint Fund	Export to Revenue Fund	Ann. Export to Revenue Fund	Ending Balance
Total		40,390,500	37,563,165	(3,635,145)	(74,318,520)	(74,318,520)	
12/1/12		40,390,500					40,390,500
6/1/13	40,390,500		605,857	(605,857)	-		40,390,500
12/1/13	40,390,500		605,857	(605,857)	-	-	40,390,500
6/1/14	40,390,500		605,857	(605,857)	-		40,390,500
12/1/14	40,390,500		605,857	(605,857)	-	-	40,390,500
6/1/15	40,390,500		605,857	(605,857)	-		40,390,500
12/1/15	40,390,500		605,857	(605,857)	-	-	40,390,500
6/1/16	40,390,500		605,857	-	(605,857)		40,390,500
12/1/16	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/17	40,390,500		605,857	-	(605,857)		40,390,500
12/1/17	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/18	40,390,500		605,857	-	(605,857)		40,390,500
12/1/18	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/19	40,390,500		605,857	-	(605,857)		40,390,500
12/1/19	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/20	40,390,500		605,857	-	(605,857)		40,390,500
12/1/20	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/21	40,390,500		605,857	-	(605,857)		40,390,500
12/1/21	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/22	40,390,500		605,857	-	(605,857)		40,390,500
12/1/22	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/23	40,390,500		605,857	-	(605,857)		40,390,500
12/1/23	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/24	40,390,500		605,857	-	(605,857)		40,390,500
12/1/24	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/25	40,390,500		605,857	-	(605,857)		40,390,500
12/1/25	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/26	40,390,500		605,857	-	(605,857)		40,390,500
12/1/26	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/27	40,390,500		605,857	-	(605,857)		40,390,500
12/1/27	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/28	40,390,500		605,857	-	(605,857)		40,390,500
12/1/28	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/29	40,390,500		605,857	-	(605,857)		40,390,500
12/1/29	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/30	40,390,500		605,857	-	(605,857)		40,390,500
12/1/30	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/31	40,390,500		605,857	-	(605,857)		40,390,500
12/1/31	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/32	40,390,500		605,857	-	(605,857)		40,390,500
12/1/32	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/33	40,390,500		605,857	-	(605,857)		40,390,500
12/1/33	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/34	40,390,500		605,857	-	(605,857)		40,390,500
12/1/34	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/35	40,390,500		605,857	-	(605,857)		40,390,500
12/1/35	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/36	40,390,500		605,857	-	(605,857)		40,390,500
12/1/36	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/37	40,390,500		605,857	-	(605,857)		40,390,500
12/1/37	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/38	40,390,500		605,857	-	(605,857)		40,390,500
12/1/38	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/39	40,390,500		605,857	-	(605,857)		40,390,500
12/1/39	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/40	40,390,500		605,857	-	(605,857)		40,390,500
12/1/40	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/41	40,390,500		605,857	-	(605,857)		40,390,500
12/1/41	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/42	40,390,500		605,857	-	(605,857)		40,390,500
12/1/42	40,390,500		605,857	-	(605,857)	(1,211,715)	40,390,500
6/1/43	40,390,500		605,857	-	(605,857)		40,390,500
12/1/43	40,390,500		605,857	-	(40,996,358)	(41,602,215)	40,390,500
6/1/44	-		-	-	-		-
12/1/44	-		-	-	-		-
6/1/45	-		-	-	-		-
12/1/45	-		-	-	-		-
6/1/46	-		-	-	-		-
12/1/46	-		-	-	-		-
6/1/47	-		-	-	-		-
12/1/47	-		-	-	-		-
6/1/48	-		-	-	-		-
12/1/48	-		-	-	-		-

**Knik Arm Bridge and Toll Authority  
Federalization of Sections 2-5, with TIFIA Optimization  
Private Model - Availability Payment Structure - Rate at +0.50% above Market  
Private Activity Bonds Only**

**Phase I**

**PREPAID INTEREST FUND (PAID FROM EQUITY)**

Date	Beginning Balance	Deposits	Interest 0.50%	Import From DSRF Fund	GP Interest Draws	PABs Interest Draws	Ending Balance
<b>Total</b>		<b>5,367,812</b>	<b>200,356</b>	<b>-</b>	<b>-</b>	<b>5,568,168</b>	
12/1/12		5,367,812					5,367,812
6/1/13	5,367,812		13,420	-	-	-	5,381,232
12/1/13	5,381,232		13,453	-	-	-	5,394,685
6/1/14	5,394,685		13,487	-	-	-	5,408,172
12/1/14	5,408,172		13,520	-	-	-	5,421,692
6/1/15	5,421,692		13,554	-	-	-	5,435,246
12/1/15	5,435,246		13,588	-	-	-	5,448,834
6/1/16	5,448,834		13,622	-	-	-	5,462,456
12/1/16	5,462,456		13,656	-	-	1,122,655	4,353,458
6/1/17	4,353,458		10,884	-	-	-	4,364,341
12/1/17	4,364,341		10,911	-	-	-	4,375,252
6/1/18	4,375,252		10,938	-	-	-	4,386,190
12/1/18	4,386,190		10,965	-	-	-	4,397,156
6/1/19	4,397,156		10,993	-	-	-	4,408,149
12/1/19	4,408,149		11,020	-	-	-	4,419,169
6/1/20	4,419,169		11,048	-	-	-	4,430,217
12/1/20	4,430,217		11,076	-	-	2,752,944	1,688,348
6/1/21	1,688,348		4,221	-	-	1,692,569	-
12/1/21	-		-	-	-	-	-
6/1/22	-		-	-	-	-	-
12/1/22	-		-	-	-	-	-
6/1/23	-		-	-	-	-	-
12/1/23	-		-	-	-	-	-
6/1/24	-		-	-	-	-	-
12/1/24	-		-	-	-	-	-
6/1/25	-		-	-	-	-	-
12/1/25	-		-	-	-	-	-
6/1/26	-		-	-	-	-	-
12/1/26	-		-	-	-	-	-
6/1/27	-		-	-	-	-	-
12/1/27	-		-	-	-	-	-
6/1/28	-		-	-	-	-	-
12/1/28	-		-	-	-	-	-
6/1/29	-		-	-	-	-	-
12/1/29	-		-	-	-	-	-
6/1/30	-		-	-	-	-	-
12/1/30	-		-	-	-	-	-
6/1/31	-		-	-	-	-	-
12/1/31	-		-	-	-	-	-
6/1/32	-		-	-	-	-	-
12/1/32	-		-	-	-	-	-
6/1/33	-		-	-	-	-	-
12/1/33	-		-	-	-	-	-
6/1/34	-		-	-	-	-	-
12/1/34	-		-	-	-	-	-
6/1/35	-		-	-	-	-	-
12/1/35	-		-	-	-	-	-
6/1/36	-		-	-	-	-	-
12/1/36	-		-	-	-	-	-
6/1/37	-		-	-	-	-	-
12/1/37	-		-	-	-	-	-
6/1/38	-		-	-	-	-	-
12/1/38	-		-	-	-	-	-
6/1/39	-		-	-	-	-	-
12/1/39	-		-	-	-	-	-
6/1/40	-		-	-	-	-	-
12/1/40	-		-	-	-	-	-
6/1/41	-		-	-	-	-	-
12/1/41	-		-	-	-	-	-
6/1/42	-		-	-	-	-	-
12/1/42	-		-	-	-	-	-
6/1/43	-		-	-	-	-	-
12/1/43	-		-	-	-	-	-
6/1/44	-		-	-	-	-	-
12/1/44	-		-	-	-	-	-
6/1/45	-		-	-	-	-	-
12/1/45	-		-	-	-	-	-
6/1/46	-		-	-	-	-	-
12/1/46	-		-	-	-	-	-
6/1/47	-		-	-	-	-	-
12/1/47	-		-	-	-	-	-
6/1/48	-		-	-	-	-	-
12/1/48	-		-	-	-	-	-

**Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only**

Phase I

**TIFIA DEBT SCHEDULE**

Date	TIFIA Draws	Notional Value	Principal/ Maturity Value	Yield	Interest	Accreted Interest	Interest Paid	TIFIA Payments	Ongoing TIFIA Servicing Fee	Accreted Servicing Cost	Total TIFIA DS	Annual Total TIFIA Payments	Ending Balance
<b>Total</b>	<b>307,855,021</b>		<b>365,916,057</b>		<b>437,623,781</b>	<b>57,995,036</b>	<b>379,628,744</b>	<b>745,544,801</b>	<b>374,000</b>	<b>66,000</b>	<b>745,852,801</b>	<b>745,852,801</b>	
12/1/12	-	-	-	-	-	-	-	-	-	-	-	-	-
6/1/13	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/13	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
6/1/14	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/14	41,274,228	-	-	4.000%	-	-	-	-	11,000	11,000	-	-	11,000
6/1/15	136,049,815	41,285,228	-	4.000%	825,705	825,705	-	-	-	-	-	-	42,110,932
12/1/15	130,530,978	178,160,747	-	4.000%	3,563,215	3,563,215	-	-	11,000	11,000	-	-	181,734,962
6/1/16	-	312,265,940	-	4.000%	6,245,319	6,245,319	-	-	-	-	-	-	318,511,259
12/1/16	-	318,511,259	-	4.000%	6,370,225	6,370,225	-	-	11,000	11,000	-	-	324,892,484
6/1/17	-	324,892,484	-	4.000%	6,497,850	6,497,850	-	-	-	-	-	-	331,390,334
12/1/17	-	331,390,334	-	4.000%	6,627,807	6,627,807	-	-	11,000	11,000	-	-	338,029,141
6/1/18	-	338,029,141	-	4.000%	6,760,583	6,760,583	-	-	-	-	-	-	344,789,724
12/1/18	-	344,789,724	-	4.000%	6,895,794	6,895,794	-	-	11,000	11,000	-	-	351,696,518
6/1/19	-	351,696,518	-	4.000%	7,033,930	7,033,930	-	-	-	-	-	-	358,730,448
12/1/19	-	358,730,448	-	4.000%	7,174,609	7,174,609	-	-	11,000	11,000	-	-	365,916,057
6/1/20	-	365,916,057	-	4.000%	7,318,321	-	7,318,321	7,318,321	-	-	7,318,321	-	365,916,057
12/1/20	-	365,916,057	100,000	4.000%	7,318,321	-	7,318,321	7,418,321	11,000	-	7,429,321	14,747,642	365,816,057
6/1/21	-	365,816,057	-	4.000%	7,316,321	-	7,316,321	7,316,321	-	-	7,316,321	-	365,816,057
12/1/21	-	365,816,057	100,000	4.000%	7,316,321	-	7,316,321	7,416,321	11,000	-	7,427,321	14,743,642	365,716,057
6/1/22	-	365,716,057	-	4.000%	7,314,321	-	7,314,321	7,314,321	-	-	7,314,321	-	365,716,057
12/1/22	-	365,716,057	100,000	4.000%	7,314,321	-	7,314,321	7,414,321	11,000	-	7,425,321	14,739,642	365,616,057
6/1/23	-	365,616,057	-	4.000%	7,312,321	-	7,312,321	7,312,321	-	-	7,312,321	-	365,616,057
12/1/23	-	365,616,057	100,000	4.000%	7,312,321	-	7,312,321	7,412,321	11,000	-	7,423,321	14,735,642	365,516,057
6/1/24	-	365,516,057	-	4.000%	7,310,321	-	7,310,321	7,310,321	-	-	7,310,321	-	365,516,057
12/1/24	-	365,516,057	100,000	4.000%	7,310,321	-	7,310,321	7,410,321	11,000	-	7,421,321	14,731,642	365,416,057
6/1/25	-	365,416,057	-	4.000%	7,308,321	-	7,308,321	7,308,321	-	-	7,308,321	-	365,416,057
12/1/25	-	365,416,057	100,000	4.000%	7,308,321	-	7,308,321	7,408,321	11,000	-	7,419,321	14,727,642	365,316,057
6/1/26	-	365,316,057	-	4.000%	7,306,321	-	7,306,321	7,306,321	-	-	7,306,321	-	365,316,057
12/1/26	-	365,316,057	100,000	4.000%	7,306,321	-	7,306,321	7,406,321	11,000	-	7,417,321	14,723,642	365,216,057
6/1/27	-	365,216,057	-	4.000%	7,304,321	-	7,304,321	7,304,321	-	-	7,304,321	-	365,216,057
12/1/27	-	365,216,057	100,000	4.000%	7,304,321	-	7,304,321	7,404,321	11,000	-	7,415,321	14,719,642	365,116,057
6/1/28	-	365,116,057	-	4.000%	7,302,321	-	7,302,321	7,302,321	-	-	7,302,321	-	365,116,057
12/1/28	-	365,116,057	100,000	4.000%	7,302,321	-	7,302,321	7,402,321	11,000	-	7,413,321	14,715,642	365,016,057
6/1/29	-	365,016,057	-	4.000%	7,300,321	-	7,300,321	7,300,321	-	-	7,300,321	-	365,016,057
12/1/29	-	365,016,057	100,000	4.000%	7,300,321	-	7,300,321	7,400,321	11,000	-	7,411,321	14,711,642	364,916,057
6/1/30	-	364,916,057	-	4.000%	7,298,321	-	7,298,321	7,298,321	-	-	7,298,321	-	364,916,057
12/1/30	-	364,916,057	100,000	4.000%	7,298,321	-	7,298,321	7,398,321	11,000	-	7,409,321	14,707,642	364,816,057
6/1/31	-	364,816,057	-	4.000%	7,296,321	-	7,296,321	7,296,321	-	-	7,296,321	-	364,816,057
12/1/31	-	364,816,057	100,000	4.000%	7,296,321	-	7,296,321	7,396,321	11,000	-	7,407,321	14,703,642	364,716,057
6/1/32	-	364,716,057	-	4.000%	7,294,321	-	7,294,321	7,294,321	-	-	7,294,321	-	364,716,057
12/1/32	-	364,716,057	100,000	4.000%	7,294,321	-	7,294,321	7,394,321	11,000	-	7,405,321	14,699,642	364,616,057
6/1/33	-	364,616,057	-	4.000%	7,292,321	-	7,292,321	7,292,321	-	-	7,292,321	-	364,616,057
12/1/33	-	364,616,057	100,000	4.000%	7,292,321	-	7,292,321	7,392,321	11,000	-	7,403,321	14,695,642	364,516,057
6/1/34	-	364,516,057	-	4.000%	7,290,321	-	7,290,321	7,290,321	-	-	7,290,321	-	364,516,057
12/1/34	-	364,516,057	100,000	4.000%	7,290,321	-	7,290,321	7,390,321	11,000	-	7,401,321	14,691,642	364,416,057

Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only

Phase I

TIFIA DEBT SCHEDULE

Date	TIFIA Draws	Notional Value	Principal/ Maturity Value	Yield	Interest	Accreted Interest	Interest Paid	TIFIA Payments	Ongoing TIFIA Servicing Fee	Accreted Servicing Cost	Total TIFIA DS	Annual Total TIFIA Payments	Ending Balance
6/1/35	-	364,416,057	-	4.000%	7,288,321	-	7,288,321	7,288,321	-	-	7,288,321	-	364,416,057
12/1/35	-	364,416,057	100,000	4.000%	7,288,321	-	7,288,321	7,388,321	11,000	-	7,399,321	14,687,642	364,316,057
6/1/36	-	364,316,057	-	4.000%	7,286,321	-	7,286,321	7,286,321	-	-	7,286,321	-	364,316,057
12/1/36	-	364,316,057	100,000	4.000%	7,286,321	-	7,286,321	7,386,321	11,000	-	7,397,321	14,683,642	364,216,057
6/1/37	-	364,216,057	-	4.000%	7,284,321	-	7,284,321	7,284,321	-	-	7,284,321	-	364,216,057
12/1/37	-	364,216,057	100,000	4.000%	7,284,321	-	7,284,321	7,384,321	11,000	-	7,395,321	14,679,642	364,116,057
6/1/38	-	364,116,057	-	4.000%	7,282,321	-	7,282,321	7,282,321	-	-	7,282,321	-	364,116,057
12/1/38	-	364,116,057	100,000	4.000%	7,282,321	-	7,282,321	7,382,321	11,000	-	7,393,321	14,675,642	364,016,057
6/1/39	-	364,016,057	-	4.000%	7,280,321	-	7,280,321	7,280,321	-	-	7,280,321	-	364,016,057
12/1/39	-	364,016,057	100,000	4.000%	7,280,321	-	7,280,321	7,380,321	11,000	-	7,391,321	14,671,642	363,916,057
6/1/40	-	363,916,057	-	4.000%	7,278,321	-	7,278,321	7,278,321	-	-	7,278,321	-	363,916,057
12/1/40	-	363,916,057	100,000	4.000%	7,278,321	-	7,278,321	7,378,321	11,000	-	7,389,321	14,667,642	363,816,057
6/1/41	-	363,816,057	-	4.000%	7,276,321	-	7,276,321	7,276,321	-	-	7,276,321	-	363,816,057
12/1/41	-	363,816,057	100,000	4.000%	7,276,321	-	7,276,321	7,376,321	11,000	-	7,387,321	14,663,642	363,716,057
6/1/42	-	363,716,057	-	4.000%	7,274,321	-	7,274,321	7,274,321	-	-	7,274,321	-	363,716,057
12/1/42	-	363,716,057	100,000	4.000%	7,274,321	-	7,274,321	7,374,321	11,000	-	7,385,321	14,659,642	363,616,057
6/1/43	-	363,616,057	-	4.000%	7,272,321	-	7,272,321	7,272,321	-	-	7,272,321	-	363,616,057
12/1/43	-	363,616,057	74,715,429	4.000%	7,272,321	-	7,272,321	81,987,750	11,000	-	81,998,750	89,271,071	288,900,629
6/1/44	-	288,900,629	-	4.000%	5,778,013	-	5,778,013	5,778,013	-	-	5,778,013	-	288,900,629
12/1/44	-	288,900,629	67,466,421	4.000%	5,778,013	-	5,778,013	73,244,434	11,000	-	73,255,434	79,033,446	221,434,207
6/1/45	-	221,434,207	-	4.000%	4,428,684	-	4,428,684	4,428,684	-	-	4,428,684	-	221,434,207
12/1/45	-	221,434,207	71,699,587	4.000%	4,428,684	-	4,428,684	76,128,271	11,000	-	76,139,271	80,567,955	149,734,620
6/1/46	-	149,734,620	-	4.000%	2,994,692	-	2,994,692	2,994,692	-	-	2,994,692	-	149,734,620
12/1/46	-	149,734,620	73,470,849	4.000%	2,994,692	-	2,994,692	76,465,541	11,000	-	76,476,541	79,471,234	76,263,771
6/1/47	-	76,263,771	-	4.000%	1,525,275	-	1,525,275	1,525,275	-	-	1,525,275	-	76,263,771
12/1/47	-	76,263,771	76,263,771	4.000%	1,525,275	-	1,525,275	77,789,047	11,000	-	77,800,047	79,325,322	-
6/1/48	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/48	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
6/1/49	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/49	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
6/1/50	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/50	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
6/1/51	-	-	-	4.000%	-	-	-	-	-	-	-	-	-
12/1/51	-	-	-	4.000%	-	-	-	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority  
 Federalization of Sections 2-5, with TIFIA Optimization  
 Private Model - Availability Payment Structure - Rate at +0.50% above Market  
 Private Activity Bonds Only**

Phase I

RATES		Market Move 0.50							
Year	11/4/11 MMD	Gov. Purpose		Private Activity Bonds		Gov. Purpose		Private Activity Bonds	
		BBB- CIB Spread	BBB- CAB Spread	BBB- CIB Spread	BBB- CAB Spread	BBB- CIB Rate	BBB- CAB Rate	BBB- CIB Rate	BBB- CAB Rate
2011	0.25	2.25	3.00	2.75	-	2.500%	3.250%	3.000%	-
2012	0.42	2.25	3.00	2.75	-	2.670%	3.420%	3.170%	-
2013	0.64	2.25	3.00	2.75	-	2.890%	3.640%	3.390%	-
2014	0.93	2.25	3.00	2.75	-	3.180%	3.930%	3.680%	-
2015	1.19	2.25	3.00	2.75	-	3.440%	4.190%	3.940%	-
2016	1.42	2.25	3.00	2.75	-	3.670%	4.420%	4.170%	-
2017	1.67	2.25	3.00	2.75	-	3.920%	4.670%	4.420%	-
2018	1.91	2.25	3.00	2.75	-	4.160%	4.910%	4.660%	-
2019	2.16	2.25	3.00	2.75	-	4.410%	5.160%	4.910%	-
2020	2.30	2.25	3.00	2.75	-	4.550%	5.300%	5.050%	-
2021	2.45	2.25	3.00	2.75	-	4.700%	5.450%	5.200%	-
2022	2.60	2.25	3.00	2.75	-	4.850%	5.600%	5.350%	-
2023	2.75	2.25	3.00	2.75	-	5.000%	5.750%	5.500%	-
2024	2.87	2.25	3.00	2.75	-	5.120%	5.870%	5.620%	-
2025	2.98	2.25	3.00	2.75	-	5.230%	5.980%	5.730%	-
2026	3.09	2.25	3.00	2.75	-	5.340%	6.090%	5.840%	-
2027	3.19	2.25	3.00	2.75	-	5.440%	6.190%	5.940%	-
2028	3.29	2.25	3.00	2.75	-	5.540%	6.290%	6.040%	-
2029	3.36	2.25	3.00	2.75	-	5.610%	6.360%	6.110%	-
2030	3.43	2.25	3.00	2.75	-	5.680%	6.430%	6.180%	-
2031	3.50	2.25	3.00	2.75	-	5.750%	6.500%	6.250%	-
2032	3.56	2.25	3.00	2.75	-	5.810%	6.560%	6.310%	-
2033	3.61	2.25	3.00	2.75	-	5.860%	6.610%	6.360%	-
2034	3.64	2.25	3.00	2.75	-	5.890%	6.640%	6.390%	-
2035	3.66	2.25	3.00	2.75	-	5.910%	6.660%	6.410%	-
2036	3.67	2.25	3.00	2.75	-	5.920%	6.670%	6.420%	-
2037	3.68	2.25	3.00	2.75	-	5.930%	6.680%	6.430%	-
2038	3.69	2.25	3.00	2.75	-	5.940%	6.690%	6.440%	-
2039	3.70	2.25	3.00	2.75	-	5.950%	6.700%	6.450%	-
2040	3.71	2.25	3.00	2.75	-	5.960%	6.710%	6.460%	-
2041	3.71	2.25		2.75	-	5.960%	-	6.460%	-
2042	3.71	2.25		2.75	-	5.960%	-	6.460%	-

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**General Inputs**

Phase I

**Maintenance Reserve Fund**

Year	Beginning Balance	3.000% Interest Earnings	CAPEX Reserve Fund Deposit	CAPEX Expenses Paid from Fund	Capital Improvements Paid from Fund	Ending Balance
<b>Total</b>		7,936,166	129,573,446	(137,468,767)	-	
2015		0	28,125	(28,100)	-	25
2016	25	12,579	867,505	(28,943)	-	851,166
2017	851,166	38,113	868,374	(29,811)	-	1,727,843
2018	1,727,843	64,524	876,619	(30,706)	-	2,638,280
2019	2,638,280	91,850	878,383	(31,627)	-	3,576,886
2020	3,576,886	53,288	879,333	(4,480,594)	-	28,913
2021	28,913	18,161	1,186,478	(33,553)	-	1,199,999
2022	1,199,999	52,709	1,187,486	(73,546)	-	2,366,648
2023	2,366,648	106,461	2,404,138	(40,064)	-	4,837,182
2024	4,837,182	180,631	2,404,364	(36,664)	-	7,385,513
2025	7,385,513	166,000	2,405,465	(6,109,847)	-	3,847,131
2026	3,847,131	150,802	2,398,129	(38,897)	-	6,357,165
2027	6,357,165	128,795	2,399,297	(6,527,276)	-	2,357,981
2028	2,357,981	87,783	1,177,536	(41,266)	-	3,582,035
2029	3,582,035	124,505	1,178,775	(42,504)	-	4,842,811
2030	4,842,811	71,921	1,180,051	(6,070,932)	-	23,851
2031	23,851	28,761	1,914,812	(45,092)	-	1,922,332
2032	1,922,332	85,716	1,916,166	(46,445)	-	3,877,769
2033	3,877,769	144,379	1,917,560	(47,838)	-	5,891,870
2034	5,891,870	206,095	2,005,203	(49,274)	-	8,053,894
2035	8,053,894	148,345	3,750,337	(9,968,470)	-	1,984,105
2036	1,984,105	131,094	4,823,693	(52,274)	-	6,886,618
2037	6,886,618	278,170	4,825,262	(53,843)	-	11,936,207
2038	11,936,207	422,798	4,826,879	(512,738)	-	16,673,146
2039	16,673,146	431,734	4,742,338	(9,306,335)	-	12,540,883
2040	12,540,883	186,301	3,000,399	(15,662,087)	-	65,496
2041	65,496	33,637	2,172,044	(60,600)	-	2,210,577
2042	2,210,577	99,627	2,283,067	(62,418)	-	4,530,853
2043	4,530,853	169,235	2,284,941	(64,291)	-	6,920,739
2044	6,920,739	240,932	2,286,872	(66,219)	-	9,382,324
2045	9,382,324	146,781	2,288,860	(11,268,081)	-	549,885
2046	549,885	103,726	6,464,809	(649,521)	-	6,468,899
2047	6,468,899	325,638	8,843,749	(72,360)	-	15,565,925
2048	15,565,925	598,549	8,845,922	(74,531)	-	24,935,864
2049	24,935,864	879,647	8,848,159	(76,767)	-	34,586,904
2050	34,586,904	671,148	8,988,800	(33,419,400)	-	10,827,451
2051	10,827,451	217,035	6,082,732	(13,268,608)	-	3,858,611
2052	3,858,611	168,220	3,581,345	(83,885)	-	7,524,291
2053	7,524,291	277,916	3,565,531	(86,401)	-	11,281,337
2054	11,281,337	379,337	3,549,243	(822,794)	-	14,387,123
2055	14,387,123	213,221	3,444,666	(18,004,165)	-	40,845

**Knik Arm Bridge and Toll Authority**  
**Project: Developer Obligation**  
**Assumed 2030 Dated/Delivery**

**Phase II**

*Sources and Uses of Funds*

**Sources**

Par Amount of Bonds		165,369,545.20
Premium / Original Issue Discount		-
Accrued Interest		-
Equity 10% of Construction Costs	10.000%	18,170,454.80
<b>Total</b>		<b>183,540,000.00</b>

**Uses:**

Deposit to Construction Fund		181,704,548.04
Deposit to Capitalized Interest Fund		-
Deposit to Debt Service Reserve Fund		-
Bond Insurance Premium		-
Underwriter's Discount	0.500%	917,700.00
Costs of Issuance	0.500%	917,700.00
Accrued Interest		-
Contingency		51.96
<b>Total</b>		<b>183,540,000.00</b>

**SUMMARY STATISTICS:**

Arbitrage Yield	6.5049437%
True Interest Cost	6.5670986%
All-In Cost of Borrowing	6.6297259%
Dated Date	12/1/30
Delivery Date	12/1/30
Average Life	12.57

(1) 6.60% coupon is equal to weighted average cost of capital assuming 90% of capital structure is debt at 6.00% and 10% of capital structure is equity at 12%.

Proposed Debt Service

Call date:

12/1/2040

Date	Principal	Rate	Yield	Price	Interest	Debt and Equity	Annual Debt and Equity	Production
12/1/30								
6/1/31					4,609,913.00	4,609,913.00		-
12/1/31	4,675,000.00	6.600%	6.600%	100.000	6,056,820.00	10,731,820.00	15,341,733.00	4,675,000.00
6/1/32					5,902,545.00	5,902,545.00		-
12/1/32	4,985,000.00	6.600%	6.600%	100.000	5,902,545.00	10,887,545.00	16,790,090.00	4,985,000.00
6/1/33					5,738,040.00	5,738,040.00		-
12/1/33	5,315,000.00	6.600%	6.600%	100.000	5,738,040.00	11,053,040.00	16,791,080.00	5,315,000.00
6/1/34					5,562,645.00	5,562,645.00		-
12/1/34	5,665,000.00	6.600%	6.600%	100.000	5,562,645.00	11,227,645.00	16,790,290.00	5,665,000.00
6/1/35					5,375,700.00	5,375,700.00		-
12/1/35	6,040,000.00	6.600%	6.600%	100.000	5,375,700.00	11,415,700.00	16,791,400.00	6,040,000.00
6/1/36					5,176,380.00	5,176,380.00		-
12/1/36	6,435,000.00	6.600%	6.600%	100.000	5,176,380.00	11,611,380.00	16,787,760.00	6,435,000.00
6/1/37					4,964,025.00	4,964,025.00		-
12/1/37	6,860,000.00	6.600%	6.600%	100.000	4,964,025.00	11,824,025.00	16,788,050.00	6,860,000.00
6/1/38					4,737,645.00	4,737,645.00		-
12/1/38	7,315,000.00	6.600%	6.600%	100.000	4,737,645.00	12,052,645.00	16,790,290.00	7,315,000.00
6/1/39					4,496,250.00	4,496,250.00		-
12/1/39	7,800,000.00	6.600%	6.600%	100.000	4,496,250.00	12,296,250.00	16,792,500.00	7,800,000.00
6/1/40					4,238,850.00	4,238,850.00		-
12/1/40	8,315,000.00	6.600%	6.600%	100.000	4,238,850.00	12,553,850.00	16,792,700.00	8,315,000.00
6/1/41					3,964,455.00	3,964,455.00		-
12/1/41	8,860,000.00	6.600%	6.600%	100.000	3,964,455.00	12,824,455.00	16,788,910.00	8,860,000.00
6/1/42					3,672,075.00	3,672,075.00		-
12/1/42	9,445,000.00	6.600%	6.600%	100.000	3,672,075.00	13,117,075.00	16,789,150.00	9,445,000.00
6/1/43					3,360,390.00	3,360,390.00		-
12/1/43	10,070,000.00	6.600%	6.600%	100.000	3,360,390.00	13,430,390.00	16,790,780.00	10,070,000.00
6/1/44					3,028,080.00	3,028,080.00		-
12/1/44	10,735,000.00	6.600%	6.600%	100.000	3,028,080.00	13,763,080.00	16,791,160.00	10,735,000.00
6/1/45					2,673,825.00	2,673,825.00		-
12/1/45	11,440,000.00	6.600%	6.600%	100.000	2,673,825.00	14,113,825.00	16,787,650.00	11,440,000.00
6/1/46					2,296,305.00	2,296,305.00		-
12/1/46	12,195,000.00	6.600%	6.600%	100.000	2,296,305.00	14,491,305.00	16,787,610.00	12,195,000.00
6/1/47					1,893,870.00	1,893,870.00		-
12/1/47	13,005,000.00	6.600%	6.600%	100.000	1,893,870.00	14,898,870.00	16,792,740.00	13,005,000.00
6/1/48					1,464,705.00	1,464,705.00		-
12/1/48	13,860,000.00	6.600%	6.600%	100.000	1,464,705.00	15,324,705.00	16,789,410.00	13,860,000.00
6/1/49					1,007,325.00	1,007,325.00		-
12/1/49	14,775,000.00	6.600%	6.600%	100.000	1,007,325.00	15,782,325.00	16,789,650.00	14,775,000.00
6/1/50					519,750.00	519,750.00		-
12/1/50	15,750,000.00	6.600%	6.600%	100.000	519,750.00	16,269,750.00	16,789,500.00	15,750,000.00
6/1/51					-	-		-
12/1/51		6.600%	6.600%	100.000	-	-	-	-
6/1/52					-	-		-
12/1/52		6.600%	6.600%	100.000	-	-	-	-
6/1/53					-	-		-
12/1/53		6.600%	6.600%	100.000	-	-	-	-
6/1/54					-	-		-
12/1/54		6.600%	6.600%	100.000	-	-	-	-
6/1/55					-	-		-
12/1/55		6.600%	6.600%	100.000	-	-	-	-
6/1/56					-	-		-
12/1/56		6.600%	6.600%	100.000	-	-	-	-
6/1/57					-	-		-
12/1/57		6.600%	6.600%	100.000	-	-	-	-
6/1/58					-	-		-
12/1/58		6.600%	6.600%	100.000	-	-	-	-
6/1/59					-	-		-
12/1/59		6.600%	6.600%	100.000	-	-	-	-
6/1/60					-	-		-
12/1/60		6.600%	6.600%	100.000	-	-	-	-
6/1/61					-	-		-

Total	183,540,000.00				150,812,453.00	334,352,453.00	334,352,453.00	183,540,000.00
OID/OIP	-							
Production	183,540,000.00		WAM	12.569				

**Knik Arm Bridge and Toll Authority**  
**Project: KABATA Obligation**  
**Assumed 2030 Dated/Delivery**

**Phase II**  
**Scenario One**

*Sources and Uses of Funds*

Sources

Par Amount of Bonds	345,820,000.00
Premium / Original Issue Discount	-
Accrued Interest	-
Other Sources of Funds	-
Current Surplus	31,569,604.39
Muni Contribution	26,000,000.00
State and Federal Investment (1)	-
<b>Total</b>	<b>403,389,604.39</b>

Uses:

Amount required for Construction	399,930,118.89
Deposit to Capitalized Interest Fund	-
Deposit to Debt Service Reserve Fund	-
Bond Insurance Premium	-
Underwriter's Discount	0.500% 1,729,100.00
Costs of Issuance	0.500% 1,729,100.00
Accrued Interest	-
Contingency	1,285.51
<b>Total</b>	<b>403,389,604.39</b>

SUMMARY STATISTICS:

Arbitrage Yield	4.9494502%
True Interest Cost	4.9928015%
All-In Cost of Borrowing	5.0364864%
Dated Date	12/1/30
Delivery Date	12/1/30
Average Life	19.03

(1) Public paid for 23.5% of Phase I development and construction; similar assumption used for Phase II.

**Knik Arm Bridge and Toll Authority**  
**Project: KABATA Obligation**  
**Assumed 2030 Dated/Delivery**

**Phase II**  
**Scenario One**

*Proposed Debt Service*

Call date:

12/1/2040

Date	Principal	Rate	Yield	Price	Interest	Total Debt Service	Annual Debt Service	Production
12/1/30								
6/1/31					6,580,186.11	6,580,186.11		-
12/1/31	5,205,000.00	5.000%	5.000%	100.000	8,645,500.00	13,850,500.00	20,430,686.11	5,205,000.00
6/1/32					8,515,375.00	8,515,375.00		-
12/1/32	5,465,000.00	5.000%	5.000%	100.000	8,515,375.00	13,980,375.00	22,495,750.00	5,465,000.00
6/1/33					8,378,750.00	8,378,750.00		-
12/1/33	5,740,000.00	5.000%	5.000%	100.000	8,378,750.00	14,118,750.00	22,497,500.00	5,740,000.00
6/1/34					8,235,250.00	8,235,250.00		-
12/1/34	6,025,000.00	5.000%	5.000%	100.000	8,235,250.00	14,260,250.00	22,495,500.00	6,025,000.00
6/1/35					8,084,625.00	8,084,625.00		-
12/1/35	6,325,000.00	5.000%	5.000%	100.000	8,084,625.00	14,409,625.00	22,494,250.00	6,325,000.00
6/1/36					7,926,500.00	7,926,500.00		-
12/1/36	6,645,000.00	5.000%	5.000%	100.000	7,926,500.00	14,571,500.00	22,498,000.00	6,645,000.00
6/1/37					7,760,375.00	7,760,375.00		-
12/1/37	6,975,000.00	5.000%	5.000%	100.000	7,760,375.00	14,735,375.00	22,495,750.00	6,975,000.00
6/1/38					7,586,000.00	7,586,000.00		-
12/1/38	7,325,000.00	5.000%	5.000%	100.000	7,586,000.00	14,911,000.00	22,497,000.00	7,325,000.00
6/1/39					7,402,875.00	7,402,875.00		-
12/1/39	7,690,000.00	5.000%	5.000%	100.000	7,402,875.00	15,092,875.00	22,495,750.00	7,690,000.00
6/1/40					7,210,625.00	7,210,625.00		-
12/1/40	8,075,000.00	5.000%	5.000%	100.000	7,210,625.00	15,285,625.00	22,496,250.00	8,075,000.00
6/1/41					7,008,750.00	7,008,750.00		-
12/1/41	8,480,000.00	5.000%	5.000%	100.000	7,008,750.00	15,488,750.00	22,497,500.00	8,480,000.00
6/1/42					6,796,750.00	6,796,750.00		-
12/1/42	8,905,000.00	5.000%	5.000%	100.000	6,796,750.00	15,701,750.00	22,498,500.00	8,905,000.00
6/1/43					6,574,125.00	6,574,125.00		-
12/1/43	9,350,000.00	5.000%	5.000%	100.000	6,574,125.00	15,924,125.00	22,498,250.00	9,350,000.00
6/1/44					6,340,375.00	6,340,375.00		-
12/1/44	9,815,000.00	5.000%	5.000%	100.000	6,340,375.00	16,155,375.00	22,495,750.00	9,815,000.00
6/1/45					6,095,000.00	6,095,000.00		-
12/1/45	10,305,000.00	5.000%	5.000%	100.000	6,095,000.00	16,400,000.00	22,495,000.00	10,305,000.00
6/1/46					5,837,375.00	5,837,375.00		-
12/1/46	10,820,000.00	5.000%	5.000%	100.000	5,837,375.00	16,657,375.00	22,494,750.00	10,820,000.00
6/1/47					5,566,875.00	5,566,875.00		-
12/1/47	11,360,000.00	5.000%	5.000%	100.000	5,566,875.00	16,926,875.00	22,493,750.00	11,360,000.00
6/1/48					5,282,875.00	5,282,875.00		-
12/1/48	11,930,000.00	5.000%	5.000%	100.000	5,282,875.00	17,212,875.00	22,495,750.00	11,930,000.00
6/1/49					4,984,625.00	4,984,625.00		-
12/1/49	12,525,000.00	5.000%	5.000%	100.000	4,984,625.00	17,509,625.00	22,494,250.00	12,525,000.00
6/1/50					4,671,500.00	4,671,500.00		-
12/1/50	13,155,000.00	5.000%	5.000%	100.000	4,671,500.00	17,826,500.00	22,498,000.00	13,155,000.00
6/1/51					4,342,625.00	4,342,625.00		-
12/1/51	13,810,000.00	5.000%	5.000%	100.000	4,342,625.00	18,152,625.00	22,495,250.00	13,810,000.00
6/1/52					3,997,375.00	3,997,375.00		-
12/1/52	14,500,000.00	5.000%	5.000%	100.000	3,997,375.00	18,497,375.00	22,494,750.00	14,500,000.00
6/1/53					3,634,875.00	3,634,875.00		-
12/1/53	15,225,000.00	5.000%	5.000%	100.000	3,634,875.00	18,859,875.00	22,494,750.00	15,225,000.00
6/1/54					3,254,250.00	3,254,250.00		-
12/1/54	15,990,000.00	5.000%	5.000%	100.000	3,254,250.00	19,244,250.00	22,498,500.00	15,990,000.00
6/1/55					2,854,500.00	2,854,500.00		-
12/1/55	16,785,000.00	5.000%	5.000%	100.000	2,854,500.00	19,639,500.00	22,494,000.00	16,785,000.00
6/1/56					2,434,875.00	2,434,875.00		-
12/1/56	17,625,000.00	5.000%	5.000%	100.000	2,434,875.00	20,059,875.00	22,494,750.00	17,625,000.00
6/1/57					1,994,250.00	1,994,250.00		-
12/1/57	18,505,000.00	5.000%	5.000%	100.000	1,994,250.00	20,499,250.00	22,493,500.00	18,505,000.00
6/1/58					1,531,625.00	1,531,625.00		-
12/1/58	19,435,000.00	5.000%	5.000%	100.000	1,531,625.00	20,966,625.00	22,498,250.00	19,435,000.00
6/1/59					1,045,750.00	1,045,750.00		-
12/1/59	20,405,000.00	5.000%	5.000%	100.000	1,045,750.00	21,450,750.00	22,496,500.00	20,405,000.00
6/1/60					535,625.00	535,625.00		-
12/1/60	21,425,000.00	5.000%	5.000%	100.000	535,625.00	21,960,625.00	22,496,250.00	21,425,000.00
6/1/61								-

Total	345,820,000.00				326,994,436.11	672,814,436.11	672,814,436.11	345,820,000.00
OID/OIP	-							
Production	345,820,000.00		WAM	19.031				

Summary of Cash Flows: Phase I and II

Date	Phase 1				Phase 2				Additional O&M / CAPEX Component	Total Payments	Toll Revenue	Net State Surplus (Shortfall)	Cumulative Deficit/Return
	Availability Payment	GP Annual DS	KABATA Administrative Costs	Subtotal	Debt Service Component	O&M / CAPEX Component	Additional Availability Payment	Kabata Obligation Debt Service					
<b>Total</b>	2,980,396,076	-	170,661,726	3,151,057,802	334,352,453	25,828,828	360,181,281	672,814,436	31,933,858	4,215,987,377	11,230,413,911	7,014,426,535	70,181,950,177
12/1/13	-	-	-	-	-	-	-	-	-	-	-	-	-
12/1/14	-	-	-	-	-	-	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-	-	-	-	-	-	-
12/1/16	34,268,000	-	2,945,406	37,213,406	-	-	-	-	-	37,213,406	16,024,000	(21,189,406)	(21,189,406)
12/1/17	38,038,720	-	3,028,146	41,066,866	-	-	-	-	-	41,066,866	24,543,000	(16,523,866)	(37,713,272)
12/1/18	43,880,269	-	3,113,227	46,993,495	-	-	-	-	-	46,993,495	32,007,000	(14,986,495)	(52,699,767)
12/1/19	45,795,480	-	3,200,716	48,996,195	-	-	-	-	-	48,996,195	38,457,000	(10,539,195)	(63,238,963)
12/1/20	51,787,299	-	3,290,682	55,077,981	-	-	-	-	-	55,077,981	43,317,000	(11,760,981)	(74,999,944)
12/1/21	53,858,791	-	3,383,196	57,241,987	-	-	-	-	-	57,241,987	47,428,000	(9,813,987)	(84,813,930)
12/1/22	56,013,142	-	3,478,330	59,491,473	-	-	-	-	-	59,491,473	51,689,000	(7,802,473)	(92,616,403)
12/1/23	58,253,668	-	3,576,159	61,829,827	-	-	-	-	-	61,829,827	56,124,000	(5,705,827)	(98,322,231)
12/1/24	60,583,815	-	3,676,761	64,260,575	-	-	-	-	-	64,260,575	60,778,000	(3,482,575)	(101,804,806)
12/1/25	63,007,167	-	3,780,212	66,787,380	-	-	-	-	-	66,787,380	67,251,000	463,620	(101,341,186)
12/1/26	65,527,454	-	3,886,597	69,414,051	-	-	-	-	-	69,414,051	73,911,000	4,496,949	(96,844,236)
12/1/27	68,148,552	-	3,995,997	72,144,549	-	-	-	-	-	72,144,549	80,839,000	8,694,451	(88,149,785)
12/1/28	70,874,494	-	4,108,499	74,982,993	-	-	-	-	-	74,982,993	88,028,000	13,045,007	(75,104,779)
12/1/29	73,709,474	-	4,224,192	77,933,666	-	-	-	-	-	77,933,666	95,572,000	17,638,334	(57,466,445)
12/1/30	76,657,853	-	4,343,167	81,001,020	-	-	-	-	-	81,001,020	102,218,000	21,216,980	(36,249,465)
12/1/31	79,724,167	-	4,465,517	84,189,684	15,341,733	1,011,124	16,352,857	20,430,686	-	120,973,228	108,408,000	(12,565,228)	(48,814,692)
12/1/32	82,913,134	-	4,591,339	87,504,473	16,790,090	1,036,403	17,826,493	22,495,750	-	127,826,715	114,789,000	(13,037,715)	(61,852,407)
12/1/33	86,229,659	-	4,720,732	90,950,391	16,791,080	1,062,313	17,853,393	22,497,500	-	131,301,284	121,486,000	(9,815,284)	(71,667,691)
12/1/34	89,678,846	-	4,853,798	94,532,644	16,790,290	1,088,870	17,879,160	22,495,500	-	134,907,304	128,385,000	(6,522,304)	(78,189,995)
12/1/35	91,920,817	-	4,990,642	96,911,459	16,791,400	1,116,092	17,907,492	22,494,250	-	137,313,201	137,619,000	305,799	(77,884,196)
12/1/36	94,218,837	-	5,131,373	99,350,210	16,787,760	1,143,994	17,931,754	22,498,000	-	139,779,964	144,232,000	4,452,036	(73,432,161)
12/1/37	96,574,308	-	5,276,100	101,850,408	16,788,050	1,172,594	17,960,644	22,495,750	-	142,306,803	151,137,000	8,830,197	(64,601,963)
12/1/38	98,988,666	-	5,424,939	104,413,605	16,790,290	1,201,909	17,992,199	22,497,000	-	144,902,804	158,254,000	13,351,196	(51,250,768)
12/1/39	101,463,382	-	5,578,007	107,041,390	16,792,500	1,231,957	18,024,457	22,495,750	-	147,561,597	165,550,000	17,988,403	(33,262,364)
12/1/40	103,999,967	-	5,735,426	109,735,392	16,792,700	1,262,756	18,055,456	22,496,250	-	150,287,098	173,260,474	22,973,376	(10,288,988)
12/1/41	106,599,966	-	5,878,811	112,478,777	16,788,910	1,294,325	18,083,235	22,497,500	-	153,059,512	181,330,104	28,270,592	17,981,603
12/1/42	109,264,965	-	6,025,781	115,290,747	16,789,150	1,326,683	18,115,833	22,498,500	-	155,905,080	189,775,620	33,870,540	51,852,144
12/1/43	111,996,589	-	6,176,426	118,173,015	16,790,780	1,359,850	18,150,630	22,498,250	-	158,821,895	198,614,533	39,792,638	91,644,782
12/1/44	114,796,504	-	6,330,837	121,127,341	16,791,160	1,393,846	18,185,006	22,495,750	-	161,808,097	207,865,171	46,057,074	137,701,856
12/1/45	117,666,417	-	6,489,108	124,155,524	16,787,650	1,428,692	18,216,342	22,495,000	-	164,866,867	217,546,714	52,679,848	190,381,704
12/1/46	120,608,077	-	6,651,335	127,259,412	16,787,610	1,464,410	18,252,020	22,494,750	-	168,006,182	227,679,237	59,673,055	250,054,758
12/1/47	123,623,279	-	6,817,619	130,440,898	16,792,740	1,501,020	18,293,760	22,493,750	-	171,228,408	238,283,748	67,055,341	317,110,099
12/1/48	126,713,861	-	6,988,059	133,701,920	16,789,410	1,538,545	18,327,955	22,495,750	-	174,525,625	249,382,237	74,856,612	391,966,711
12/1/49	129,881,708	-	7,162,761	137,044,468	16,789,650	1,577,009	18,366,659	22,494,250	-	177,905,377	260,997,717	83,092,340	475,059,051
12/1/50	133,128,750	-	7,341,830	140,470,580	16,789,500	1,616,434	18,405,934	22,498,000	-	181,374,514	273,154,272	91,779,758	566,838,809
12/1/51	-	-	-	-	-	-	-	22,495,250	595,307	23,090,557	279,983,129	256,892,572	823,731,380
12/1/52	-	-	-	-	-	-	-	22,494,750	517,937	23,012,687	286,982,707	263,970,020	1,087,701,401
12/1/53	-	-	-	-	-	-	-	22,494,750	631,561	23,126,311	294,157,275	271,030,964	1,358,732,364
12/1/54	-	-	-	-	-	-	-	22,498,500	549,479	23,047,979	301,511,207	278,463,228	1,637,195,592
12/1/55	-	-	-	-	-	-	-	22,494,000	5,552,967	28,046,967	309,048,987	281,002,020	1,918,197,612
12/1/56	-	-	-	-	-	-	-	22,494,750	667,011	23,161,761	316,775,212	293,613,451	2,211,811,063
12/1/57	-	-	-	-	-	-	-	22,493,500	1,010,129	23,503,629	324,694,592	301,190,963	2,513,002,026
12/1/58	-	-	-	-	-	-	-	22,498,250	707,633	23,205,883	332,811,957	309,606,074	2,822,608,100

Summary of Cash Flows: Phase I and II

Date	Phase 1				Phase 2				Additional O&M / CAPEX Component	Total Payments	Toll Revenue	Net State Surplus (Shortfall)	Cumulative Deficit/Return
	Availability Payment	GP Annual DS	KABATA Administrative Costs	Subtotal	Debt Service Component	O&M / CAPEX Component	Additional Availability Payment	Kabata Obligation Debt Service					
Total	2,980,396,076	-	170,661,726	3,151,057,802	334,352,453	25,828,828	360,181,281	672,814,436	31,933,858	4,215,987,377	11,230,413,911	7,014,426,535	70,181,950,177
12/1/59	-	-	-	-	-	-	-	22,496,500	615,664	23,112,164	341,132,256	318,020,091	3,140,628,191
12/1/60	-	-	-	-	-	-	-	22,496,250	750,728	23,246,978	349,660,562	326,413,584	3,467,041,775
12/1/61	-	-	-	-	-	-	-	-	653,158	653,158	358,402,076	357,748,918	3,824,790,693
12/1/62	-	-	-	-	-	-	-	-	6,600,733	6,600,733	367,362,128	360,761,395	4,185,552,088
12/1/63	-	-	-	-	-	-	-	-	792,866	792,866	376,546,181	375,753,315	4,561,305,403
12/1/64	-	-	-	-	-	-	-	-	1,200,725	1,200,725	385,959,836	384,759,110	4,946,064,513
12/1/65	-	-	-	-	-	-	-	-	841,153	841,153	395,608,831	394,767,678	5,340,832,191
12/1/66	-	-	-	-	-	-	-	-	731,831	731,831	405,499,052	404,767,221	5,745,599,412
12/1/67	-	-	-	-	-	-	-	-	892,379	892,379	415,636,529	414,744,149	6,160,343,562
12/1/68	-	-	-	-	-	-	-	-	776,399	776,399	426,027,442	425,251,042	6,585,594,604
12/1/69	-	-	-	-	-	-	-	-	7,846,197	7,846,197	436,678,128	428,831,931	7,014,426,535
12/1/70	-	-	-	-	-	-	-	-	942,469	942,469	447,595,081	446,652,612	7,461,079,147
12/1/71	-	-	-	-	-	-	-	-	1,427,285	1,427,285	458,784,958	457,357,673	7,918,436,820
12/1/72	-	-	-	-	-	-	-	-	999,867	999,867	470,254,582	469,254,715	8,387,691,535
12/1/73	-	-	-	-	-	-	-	-	869,918	869,918	482,010,947	481,141,029	8,868,832,564
12/1/74	-	-	-	-	-	-	-	-	1,060,758	1,060,758	494,061,220	493,000,462	9,361,833,026
12/1/75	-	-	-	-	-	-	-	-	922,895	922,895	506,412,751	505,489,856	9,867,322,881

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

**Scenario One**

**STATE RESERVE FUND: PHASE I AND II**

Date	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Phase II Surplus Withdrawals	Ending Balance
<b>Total</b>		<b>967,476,717</b>	<b>159,098,629</b>	<b>-</b>	<b>(143,745,336)</b>	<b>(951,260,405)</b>	<b>(31,569,604)</b>	
12/1/13	150,000,000	-	4,500,000	-	-	-	-	154,500,000
12/1/14	154,500,000	-	4,635,000	-	-	-	-	159,135,000
12/1/15	159,135,000	-	4,774,050	-	-	-	-	163,909,050
12/1/16	163,909,050	-	4,917,272	-	(21,189,406)	-	-	147,636,915
12/1/17	147,636,915	-	4,429,107	-	(16,523,866)	-	-	135,542,157
12/1/18	135,542,157	-	4,066,265	-	(14,986,495)	-	-	124,621,926
12/1/19	124,621,926	-	3,738,658	-	(10,539,195)	-	-	117,821,389
12/1/20	117,821,389	-	3,534,642	-	(11,760,981)	-	-	109,595,050
12/1/21	109,595,050	-	3,287,851	-	(9,813,987)	-	-	103,068,914
12/1/22	103,068,914	-	3,092,067	-	(7,802,473)	-	-	98,358,509
12/1/23	98,358,509	-	2,950,755	-	(5,705,827)	-	-	95,603,437
12/1/24	95,603,437	-	2,868,103	-	(3,482,575)	-	-	94,988,965
12/1/25	94,988,965	463,620	2,849,669	-	-	-	-	98,302,254
12/1/26	98,302,254	4,496,949	2,949,068	-	-	-	-	105,748,271
12/1/27	105,748,271	8,694,451	3,172,448	-	-	-	-	117,615,170
12/1/28	117,615,170	13,045,007	3,528,455	-	-	-	-	134,188,631
12/1/29	134,188,631	17,638,334	4,025,659	-	-	-	(5,852,624)	150,000,000
12/1/30	150,000,000	21,216,980	4,500,000	-	-	-	(25,716,980)	150,000,000
12/1/31	150,000,000	-	4,500,000	-	(12,565,228)	-	-	141,934,772
12/1/32	141,934,772	-	4,258,043	-	(13,037,715)	-	-	133,155,100
12/1/33	133,155,100	-	3,994,653	-	(9,815,284)	-	-	127,334,470
12/1/34	127,334,470	-	3,820,034	-	(6,522,304)	-	-	124,632,200
12/1/35	124,632,200	305,799	3,738,966	-	-	-	-	128,676,965
12/1/36	128,676,965	4,452,036	3,860,309	-	-	-	-	136,989,309
12/1/37	136,989,309	8,830,197	4,109,679	-	-	-	-	149,929,186
12/1/38	149,929,186	13,351,196	4,497,876	-	-	(17,778,257)	-	150,000,000
12/1/39	150,000,000	17,988,403	4,500,000	-	-	(22,488,403)	-	150,000,000
12/1/40	150,000,000	22,973,376	4,500,000	-	-	(27,473,376)	-	150,000,000
12/1/41	150,000,000	28,270,592	4,500,000	-	-	(32,770,592)	-	150,000,000
12/1/42	150,000,000	33,870,540	4,500,000	-	-	(38,370,540)	-	150,000,000
12/1/43	150,000,000	39,792,638	4,500,000	-	-	(44,292,638)	-	150,000,000
12/1/44	150,000,000	46,057,074	4,500,000	-	-	(50,557,074)	-	150,000,000
12/1/45	150,000,000	52,679,848	4,500,000	-	-	(57,179,848)	-	150,000,000
12/1/46	150,000,000	59,673,055	4,500,000	-	-	(64,173,055)	-	150,000,000
12/1/47	150,000,000	67,055,341	4,500,000	-	-	(71,555,341)	-	150,000,000
12/1/48	150,000,000	74,856,612	4,500,000	-	-	(79,356,612)	-	150,000,000
12/1/49	150,000,000	83,092,340	4,500,000	-	-	(87,592,340)	-	150,000,000
12/1/50	150,000,000	91,779,758	4,500,000	-	-	(96,279,758)	-	150,000,000
12/1/51	150,000,000	256,892,572	4,500,000	-	-	(261,392,572)	-	150,000,000
12/1/52	150,000,000	263,970,020	4,500,000	-	-	(268,470,020)	-	150,000,000
12/1/53	150,000,000	271,030,964	4,500,000	-	-	(275,530,964)	-	150,000,000
12/1/54	150,000,000	278,463,228	4,500,000	-	-	(282,963,228)	-	150,000,000
12/1/55	150,000,000	281,002,020	4,500,000	-	-	(285,502,020)	-	150,000,000
12/1/56	150,000,000	293,613,451	4,500,000	-	-	(298,113,451)	-	150,000,000
12/1/57	150,000,000	301,190,963	4,500,000	-	-	(305,690,963)	-	150,000,000
12/1/58	150,000,000	309,606,074	4,500,000	-	-	(314,106,074)	-	150,000,000
12/1/59	150,000,000	318,020,091	4,500,000	-	-	(322,520,091)	-	150,000,000
12/1/60	150,000,000	326,413,584	4,500,000	-	-	(330,913,584)	-	150,000,000
12/1/61	150,000,000	357,748,918	4,500,000	-	-	(362,248,918)	-	150,000,000
12/1/62	150,000,000	360,761,395	4,500,000	-	-	(365,261,395)	-	150,000,000
12/1/63	150,000,000	375,753,315	4,500,000	-	-	(380,253,315)	-	150,000,000

**Knik Arm Bridge and Toll Authority**  
**Federalization of Sections 2-5, with TIFIA Optimization**  
**Private Model - Availability Payment Structure - Rate at +0.50% above Market**  
**Private Activity Bonds Only**

**Scenario One**

**STATE RESERVE FUND: PHASE I AND II**

Date	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Phase II Surplus Withdrawals	Ending Balance
<b>Total</b>		967,476,717	159,098,629	-	(143,745,336)	(951,260,405)	(31,569,604)	
12/1/64	150,000,000	384,759,110	4,500,000	-	-	(389,259,110)	-	150,000,000
12/1/65	150,000,000	394,767,678	4,500,000	-	-	(399,267,678)	-	150,000,000
12/1/66	150,000,000	404,767,221	4,500,000	-	-	(409,267,221)	-	150,000,000
12/1/67	150,000,000	414,744,149	4,500,000	-	-	(419,244,149)	-	150,000,000
12/1/68	150,000,000	425,251,042	4,500,000	-	-	(429,751,042)	-	150,000,000
12/1/69	150,000,000	428,831,931	4,500,000	-	-	(433,331,931)	-	150,000,000
12/1/70	150,000,000	446,652,612	4,500,000	-	-	(451,152,612)	-	150,000,000
12/1/71	150,000,000	457,357,673	4,500,000	-	-	(461,857,673)	-	150,000,000
12/1/72	150,000,000	469,254,715	4,500,000	-	-	(473,754,715)	-	150,000,000
12/1/73	150,000,000	481,141,029	4,500,000	-	-	(485,641,029)	-	150,000,000
12/1/74	150,000,000	493,000,462	4,500,000	-	-	(497,500,462)	-	150,000,000
12/1/75	150,000,000	505,489,856	4,500,000	-	-	(509,989,856)	-	150,000,000

- (1) If ending balance falls below \$50 million, the State will replenish the account back to \$50 million.  
(2) In the event of a negative Draws on Reserve balance, the reserve fund will be tapped to make up this shortfall.  
(3) If ending balance exceeds \$150 million plus state replenishment, if any, the balance over such amount is available for release.

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any transaction contemplated hereby (a "Transaction").

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

IRS Circular 230 Disclosure: Citigroup, Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of the Transaction. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

We maintain a policy of strict compliance to the anti-tying provisions of the U.S. Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). Moreover, our credit policies provide that credit must be underwritten in a safe and sound manner and be consistent with Section 23B of the Federal Reserve Act and the requirements of federal law. Consistent with these requirements and our Anti-tying Policy:

- \*The extension of commercial loans or other products or services to you by Citibank, N.A. ("Citibank") or any of its subsidiaries will not be conditioned on your taking other products or services offered by Citibank or any of its subsidiaries or affiliates, unless such a condition is permitted under an exception to the Anti-tying Rules.*
- \*We will not vary the price or other terms of any product or service offered by Citibank or its subsidiaries on the condition that you purchase another product or service from Citibank or any Citigroup affiliate, unless we are authorized to do so under an exception to the Anti-tying Rules.*
- \*We will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any of its subsidiaries, unless such a requirement is reasonably required to protect the safety and soundness of the loan.*
- \*We will not require you to refrain from doing business with a competitor of Citigroup or any of its affiliates as a condition to receiving a commercial loan from Citibank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.*

Although this material may contain publicly available information about Citigroup corporate bond research or economic and market analysis, Citigroup policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citigroup has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2011 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and the Arc Design are trademarks and service marks of Citigroup or its affiliates and are used and registered throughout the world.



**CITY OF HOUSTON, ALASKA  
RESOLUTION 09-05**

**A RESOLUTION OF THE COUNCIL FOR THE CITY OF HOUSTON, ALASKA AFFIRMING SUPPORT OF AND PARTNERSHIP WITH THE STATE OF ALASKA COMMISSION: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA) AND THE CONSTRUCTION OF THE KNIK ARM BRIDGE CROSSING FROM ANCHORAGE, ALASKA NORTH TO POINT MACKENZIE, MATANUSKA-SUSITNA BOROUGH, ALASKA.**

---

**WHEREAS**, the Knik Arm Bridge and Toll Authority (KABATA) was created in 2003 by Alaska Statute 19.75 to "...develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and Matanuska-Susitna Borough"; and

**WHEREAS**, Anchorage growth is geographically constrained; and

**WHEREAS**, the Matanuska-Susitna regional population is growing and is projected to increase around 200,000 more people by the year 2030 regardless of whether the bridge is built or not; and

**WHEREAS**, the Matanuska-Susitna Borough is the 35<sup>th</sup> fastest growing county in the U.S. this decade out of 3,141 counties; and

**WHEREAS**, the Matanuska-Susitna Borough has a strong regional economy in contrast to a poor economy in bush Alaska attracting in-migration to the area; and

**WHEREAS**, the Matanuska-Susitna Borough is in close proximity to Alaska's economic and transportation hub – Anchorage; and

**WHEREAS**, the City of Houston is the nearest Municipality within the Matanuska-Susitna Borough of which the Knik Arm Bridge would have a significant impact; and

**WHEREAS**, the Knik Arm Bridge brings an economic stimulus that:

- facilitates movement of people and goods,
- supports Alaska gas line and other resource development projects,
- establishes a new economic corridor for business
- establishes the only alternative highway safety route north,
- connects the Port of Anchorage and Port MacKenzie,
- establishes access to the planned Goose Creek Correctional Center,
- supports population growth due to an abundance of private land for development close to Anchorage,
- provides \$18.3 billion additional economic stimulus within the first twenty-three years of operation,
- provides and estimated 14,000 additional jobs,

**CITY OF HOUSTON, ALASKA  
RESOLUTION 09-05**

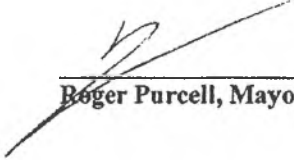
- provides \$1.2 billion additional local tax receipts,
- provides \$1.4 billion additional O&M and Capital expenditures,
- produces an estimated savings of \$95 million per year public travel in the first year alone,
- avoids an 80,000+ metric tons of carbon emissions in the first year,
- generates the maximum value to the Alaska public and the state.

**THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF  
THE CITY OF HOUSTON, that:**

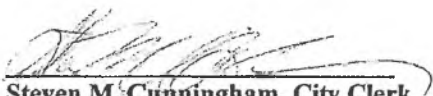
The City of Houston hereby presents this resolution with the strongest recommendation in support of the Knik Arm Bridge as having a substantial economic value to Alaskans, is environmentally friendly, and is affordable and financially feasible.

**PASSED AND APPROVED** by a duly constituted quorum of the City Council for the City of Houston, Alaska on this 12<sup>th</sup> day of February, 2009.

**THE CITY OF HOUSTON, ALASKA**

  
\_\_\_\_\_  
**Roger Purcell, Mayor**

**ATTEST:**

  
\_\_\_\_\_  
**Steven M. Cunningham, City Clerk  
Houston, Alaska**





## MATANUSKA-SUSITNA BOROUGH

### Office of the Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9689 • Fax (907) 745-9669

John.Moosey@matsugov.us

February 23, 2012

The Honorable Sean Parnell

P.O. Box 110001

Juneau, AK 99811-0001

Re: Support of HB 158 & 159 and SB 79 & 80

Dear Governor Parnell,

On behalf of the Matanuska-Susitna Borough, I am sending you this letter to support Senate Bills 79 & 80 and House Bills 158 & 159 related to the authority and obligations of the Knik Arm Bridge and Toll Authority (KABATA). These bills amend KABATA's enabling statute to provide for a successful procurement for the Knik Arm Crossing project and to generate the best value for the state. The Knik Arm Bridge Project is among the Borough's 2013 Legislative Priorities as demonstrated by Resolution 11-141.

These House and Senate bills accomplish many items KABATA has deemed necessary to have successful public-private partnership procurement. The first will increase KABATA's Bonding Authority from \$500 million to \$600 million which lowers the cost of capital for the project and ultimately lowers the cost to end users. The second item brings property tax relief by clarifying that the Knik Arm Crossing and associated facilities are exempt from state and local property taxes like any other transportation project in our state. A third item that would be accomplished is the identification of contractual money obligations of the State of Alaska under a P3 process. The last item necessary would create a reserve fund to provide a backstop for toll revenue fluctuations as well as to serve to enhance the credit worthiness of the project which would reduce overall project costs.

The Matanuska-Susitna Borough is one of the fastest growing communities in the state and this project will not only be an economic engine for jobs and development, but also provides the safety benefit of having a secondary arterial between Anchorage and the Mat-Su Valley.

Please do not hesitate to contact me should you need further information or have questions.

Sincerely,

John M. Moosey  
Borough Manager  
JM/al

Adopted: 02/28/12

**MATANUSKA-SUSITNA BOROUGH  
RESOLUTION SERIAL NO. 12-027**

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY SUPPORTING HOUSE BILLS 158 AND 159 AND SENATE BILLS 79 AND 80 RELATING TO THE AUTHORITY AND OBLIGATIONS OF THE KNIK ARM BRIDGE AND TOLL AUTHORITY.

---

WHEREAS, the Knik Arm Bridge and Toll Authority (KABATA) was established in 2003 by the Alaska State Legislature; and

WHEREAS, their project, the Knik Arm Crossing, will be a significant addition to Alaska's infrastructure that will further facilitate the movement of goods and people in the State; and

WHEREAS, these House and Senate bills accomplish many items KABATA has deemed necessary to have a successful public-private partnership procurement; and

WHEREAS, the first will increase KABATA's Bonding Authority from \$500 million to \$600 million which lowers the cost of capital for the project and ultimately lowers the cost to end users; and

WHEREAS, the second item brings property tax relief by clarifying that the Knik Arm Crossing and associated facilities are exempt from state and local property taxes like any other transportation project in our State; and

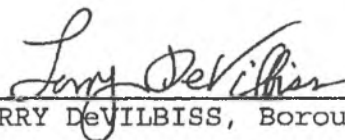
WHEREAS, a third item that would be accomplished is the identification of contractual money obligations of the State of

Alaska under a P3 process; and

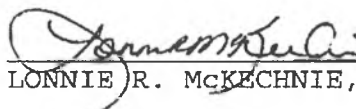
WHEREAS, the last item necessary would create a reserve fund to provide a backstop for toll revenue fluctuations as well as to serve to enhance the credit worthiness of the project which would reduce overall project costs.

NOW, THEREFORE, BE IT RESOLVED, the Matanuska-Susitna Borough Assembly supports House Bills 158 and 159 and Senate Bills 79 and 80.

ADOPTED by the Matanuska-Susitna Borough Assembly this 28 day of February, 2012.

  
LARRY DEVILBISS, Borough Mayor

ATTEST:

  
LONNIE R. McKECHNIE, CMC, Borough Clerk  
(SEAL)

YES: Woods, Arvin, Colligan, Salmon, Colver, and Halter

NO: Keogh

# MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

*Mayor Dan Sullivan*

February 14, 2011

The Honorable Linda Menard  
Alaska State Capitol, Room 9  
Juneau, AK 99801

Re: Support for SB 79 and 80

Dear Senator Menard,

I have long been a vocal advocate for the Knik Arm Bridge and understand that we very much need the regional connectivity between our Ports, transportation corridors and our communities.

Now that the Record of Decision has been finalized on the project, I encourage the Alaska Legislature to approve the supporting legislation and recommended statute changes to move the project forward in a timely and beneficial manner. SB79 and SB 80 accomplish the goals of lowering the cost of capital on the project and reducing project costs, facilitating timely procurement for a 2015 opening and reducing the tolls on the project for end users.

The passage of SB79 and 80 is important to facilitate the progression of the project in a timely and beneficial manner to deliver a project that will be an asset to Alaskans for generations.

Sincerely,

Dan Sullivan  
Mayor



# THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

Senator Linda Menard  
Alaska State Capitol, Room 9  
Juneau, Alaska 99801  
Re: SB 79 and 80

February 10th, 2011

Dear Senator Menard:

The **Alaska Support Industry Alliance** supports the Knik Arm Crossing project and the associated needed legislation sponsored by Senator Menard in SB79 and SB80. We feel the Knik Arm Crossing project is a regional connectivity project that will provide a critical infrastructure link between our communities, as well as a much needed oil and gas staging connection between Anchorage, Matanuska-Susitna, the Interior part of our State and up to the lifeline of Alaska- Prudhoe Bay. I have long supported the need for this project and am writing to you today to encourage the Alaska Legislature to move the project forward in a timely and beneficial manner.

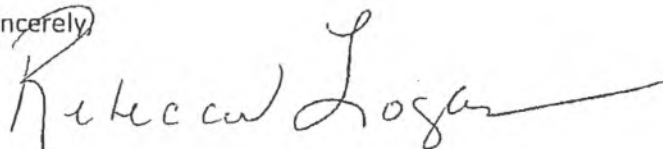
The mission of the Alliance is clear –*“To promote responsible exploration, development and production of oil, gas and mineral resources for the benefit of all Alaskans.”* Developing and improving our infrastructure, such as roads and bridges is critical to the expansion and development of our State’s natural resources. The mission of the Alliance and the benefits that will be achieved by the Crossing are in sync.

The Alliance is made up of nearly 500 businesses, organizations and individuals that provide products and services to the oil, gas and mining industries, and represent approximately 40,000 Alaskan workers. We promote a favorable business climate through strong government relations programs, public awareness of the relationships among political decisions, industry activity and Alaska’s economic health. Again, we believe the Knik Arm Crossing embodies the job creation and sustainable economic development that we hold at the forefront.

We understand the purpose of the proposed legislation and believe in the successful procurement of the Knik Arm Crossing to generate the best value to the State of Alaska. The passage of this legislation will facilitate the Knik Arm Crossing being open for traffic in 2015, thus expediting for my members and the State of Alaska ---the benefits generated from the Crossing.

In conclusion, the Alliance supports the passage of SB79 and 80 in order to facilitate the progression of the project forward in a timely and beneficial manner.

Sincerely,

A handwritten signature in cursive script that reads "Rebecca Logan". The signature is written in black ink and extends to the right with a long horizontal flourish.

Rebecca Logan  
General Manager

## ***Alaska Trucking Association, Inc.***

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946

[www.aktrucks.org](http://www.aktrucks.org)

*The authoritative voice of the trucking industry in Alaska*

---

February 11, 2011

Senator Linda Menard  
Alaska State Capitol, Room 9  
Juneau, Alaska 99801

Re: SB 79 and 80

Dear Senator Menard:

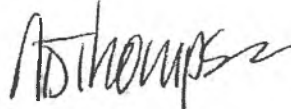
The Alaska Trucking Association and its nearly 200 member companies, stand firmly behind the Knik Arm Crossing project and the associated needed legislation. We feel the Knik Arm Crossing project is a regional connectivity project that will provide a critical infrastructure link between our communities, as well as a much needed freight and services connection between Anchorage, the Matanuska-Susitna and the Interior part of our State. I have long supported the need for this project and am writing to you today to encourage the Alaska Legislature to move the project forward in a timely and beneficial manner.

The Alaska Trucking Association has been serving the needs of the state's trucking industry for over 50 years. We have continually given our support to the Knik Arm Crossing project as we understand the need for improved access to and from our ports, communities and interior Alaska from both a freight and a trucking standpoint. ATA is a leader in Alaska and nationally in promoting and protecting the interests of the transportation industry before the state legislature, congressional delegation and administrative agencies and courts. We understand that Alaska is a young state with vast infrastructure needs. We encourage you to support the Knik Arm Crossing legislative request to help us move this critical infrastructure link forward and reduce the cost to end users.

We understand the purpose of the proposed legislation and believe in the successful procurement of the Knik Arm Crossing to generate the best value to the State of Alaska. The passage of this legislation will facilitate the Knik Arm Crossing being open for traffic in 2015, thus expediting for my members and the State of Alaska ---the benefits generated from the Crossing.

In conclusion, ATA supports the passage of SB79 and 80 in order to facilitate the progression of the project forward in a timely and beneficial manner.

Sincerely,



Aves D. Thompson  
Executive Director



*If you got it, a truck brought it...*



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

---

February 22, 2011

Senator Linda Menard  
Alaska State Capitol, Room 9  
Juneau, Alaska 99801

Re: SB79 and SB80

Dear Senator Menard

*Linda*

Developing and improving our transportation infrastructure, such as constructing roads and bridges is critical to the expansion and development of our State's natural resources. Some projects by their location and nature have a statewide significance. The proposed Knik Arm Bridge will provide an alternate route for the transport of people and goods along one of our busiest corridors and is one of these Projects of Significance.

We support the economic development of Alaska, the construction industry and look at infrastructure development as critical for the future of our economy. We believe the Knik Arm Crossing is a project that embodies the sustainable economic development and job creation that we hold at the forefront.

Since the Alaska Legislature created the Knik Arm Bridge and Toll Authority in 2003, the AGC has written numerous letters of support for the project at the many hurdles it has had to overcome during its arduous development history. AGC supports the passage of SB79 and 80 in order to facilitate the forward progression of the project in a timely and efficient manner.

Sincerely,

John MacKinnon  
Executive Director  
AGC of Alaska

ANCHORAGE  
8005 SCHOON STREET • ANCHORAGE, AK 99518  
TELEPHONE (907) 561-5354 • FAX (907) 562-6118  
<http://alaska.agc.org>  
Email: [info@agcak.org](mailto:info@agcak.org)

FAIRBANKS  
PO BOX 60005 • FAIRBANKS, AK 99706  
TELEPHONE (907) 452-1809 • FAX (907) 456-8599  
Email: [fairbanksagc@acsalaska.net](mailto:fairbanksagc@acsalaska.net)

# CS HB 158 Summary of Legislation

---

The Knik Arm Crossing is a vital infrastructure project, a bridge that will connect Alaska, help create jobs, encourage smart growth, and economic development, while improving the environment and the quality of life for the people served by the project. Simply said, this is an investment in Alaska's future that will pay dividends for years to come.

CS HB 158 will aid the successful procurement of the Knik Arm Crossing, reduce the cost of project finance and generate the best value to the State of Alaska. The passage of this legislation will facilitate the project to be open for traffic in 2017.

## **Proposed Legislation – CS HB 158**

Amends 19.75 with structural amendments summarized below

### **Increase in Bonding Authority to \$600 million**

- Increase to match \$600 million in federal Private Activity Bond (PABs) capacity allocated to the project.
- PABs require a public entity to act as conduit issuer for the private borrower.
- Any PABs issued are a liability of the private partner, not the State.
- Tax-exempt nature lowers the cost of capital and provides better value proposals to the State.

### **Property Tax Clarification**

- Clarifies that the bridge and associated connectors are not subject to property taxes if operated by a private partner on behalf of the state (already exempt if operated by the state.)
- Identical to all other publicly owned transportation projects in the State.
- Any private facilities of the developer not serving the public transportation purpose remain subject to property tax.

### **Project Reserve Fund.**

- Establishes the ability for KABATA to create specific reserve funds and accounts necessary to properly manage the revenues and contractual obligations for the project.
- Used to make availability payments to compensate the private partner for the finance, design, construction, operations and maintenance of the facility.
- Results in lower availability payment proposals, generating best value for the State.
- Serves to keep tolls affordable to the traveling public and supports the shortest possible contract term.
- As the reserve fund builds a surplus, the surplus will be used to fund other needed transportation projects.
- Establishes the Knik Arm Crossing Fund to hold the appropriation until the agreement is executed

# ALASKA STATE LEGISLATURE

**Member:**

House Finance Committee  
Legislative Budget & Audit Committee

**Chair:**

House Budget Sub Committees on:  
- Department of Administration  
- Department of Labor and Workforce  
Development



**Session:**

Alaska State Capitol  
Juneau, AK 99801-1182  
Phone: (907) 465-2679  
Fax: (907) 465-4822  
Toll Free (800) 505-2678

**Interim:**

600 E. Railroad Ave  
Wasilla, AK 99654  
Phone: (907) 376-2679  
Fax: (907) 373-4745

## ***Representative Mark Neuman***

Rep.Mark.Neuman@legis.state.ak.us

### House Bill 158 Sponsor Statement

House Bill 158 amends the Knik Arm Bridge and Toll Authority's enabling statute to provide for a successful procurement for the Knik Arm Crossing project and to generate the best value for the state. Passing this legislation **this session** is important to seeing the Knik Arm Crossing efficiently move toward a successful and low-cost procurement process and facilitate being open for traffic in 2015. The Knik Arm Crossing will be a significant addition to Alaska's infrastructure that will further facilitate the movement of goods and people in the state.

This bill was written in consultation with the Knik Arm Bridge and Toll Authority (KABATA), which was established in 2003 by the Alaska Legislature. The bill accomplishes many items KABATA has deemed necessary to have a successful public-private partnership procurement. Those items are:

- **Increase in KABATA's Bonding Authority from \$500 million to \$600 million**
  - The \$600 million number represents the same amount authorized under Private Activity Bond (PABs) allocation from FHWA
  - Lowers the cost of capital for the project and ultimately lowers the cost to end users
  - Private partner is the borrower of any PABs issued.
- **Property tax relief – clarify that the Crossing and associated facilities are exempt from state and local property taxes**
  - Like any other transportation project in our State, the roads and bridges are not subject to property taxation.
  - Any private facilities developed outside the crossing will be taxable
  - Property tax exemption reduces the availability payment and reduces the toll
- **Contractual Monetary Obligations**
  - Identifies the \*obligations of the State of Alaska\* under a P3 process

- The legislative language applies to “monetary liabilities” which may be incurred by KABATA under a P3 process
- Any P3 agreement needs to be approved by the KABATA Board of Directors, State AG’s office, ADOT&PF
- Serves to lower the cost of debt and equity to finance the project
- Keeps the tolls affordable to the traveling public

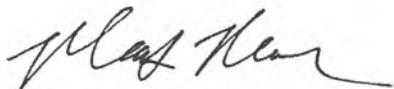
**Project reserve**

- Creation of a reserve fund is to provide a backstop for toll revenue fluctuations.
- Serves to enhance the credit worthiness of the project and reduce overall project costs
- Will be repaid over the project life

All of the above language clarifications and additions serve to lower the cost of capital on this much needed infrastructure project and deliver the benefits in a timely and efficient manner.

Please help me by supporting this legislation so a long-term, long sought after project can be realized.

Sincerely,



Representative Mark Neuman