

HB

158

<TARGET><BILL>HB 158</BILL><SUBJECT>HB
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ALASKA STATE LEGISLATURE

Member:
House Finance Committee
Legislative Budget & Audit Committee



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Representative Mark Neuman

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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

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.

HB 158 will aid in 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 2015.

Proposed Legislation – HB 158

Amends Alaska Statutes 19.75 with the structural changes summarized below

Increase in Bonding Authority from \$500 million to \$600 million

- Matches \$600 million in federal tax exempt 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 private partner, not serving the public transportation purpose, remain subject to property tax

Contractual Obligations

- Language creates a moral obligation of the state to stand behind liabilities that may arise under the public-private agreement, subject to appropriation
- Improves the project's credit rating, reducing the cost of debt and equity to finance it
- 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
- Toll revenue is projected to be more than sufficient to repay all project obligations over the life of the public-private agreement.

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

HB158 Analysis of Legislation

Introduction and Need for Legislation

HB 158 will ensure the successful procurement of the Knik Arm Crossing and 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 the State of Alaska the benefits generated from the Crossing.

In 2003, the Alaska Legislature created the Knik Arm Bridge and Toll Authority "... 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 the Matanuska-Susitna Borough" (Alaska Statutes § 19.75 [AS § 19.75]). Since its creation KABATA has been working toward this goal by diligently pursuing the necessary environmental clearances and preparing the ground work to develop the Knik Arm Crossing once a Record of Decision was granted, including the development of a financial plan for the project.

After many years of hard work by both KABATA and ADOT&PF, the Federal Highway Administration signed the Record of Decision for the Knik Arm Crossing on December 15, 2010. Reaching this milestone provides the environmental clearance necessary for the Crossing to move forward and become a reality.

Project Benefits

The Knik Arm Crossing will serve generations of Alaskans by providing improved access to the regional transportation network. Some of the benefits of this interconnection include:

- More efficient movement of people, goods, and services between Anchorage, the Mat-Su Borough, and Alaska's interior.
- Providing jobs and supporting economic and population growth.
- Increasing the efficiency of freight movements to and from the Ports of Anchorage and MacKenzie and Ted Stevens Anchorage International Airport.
- Providing an alternative route for freight movement, thus reducing the number of trucks traveling through Anchorage and along the Glenn Highway.
- Helping the environment by reducing carbon emissions, reducing vehicle miles traveled, and improving sustainability.
- Improving access to and from economic activities in the interior of the State.
- Providing a vital second evacuation route for Anchorage and Kenai residents in case of an emergency.
- Helping fund future needed capacity improvements and other transportation and transit needs.

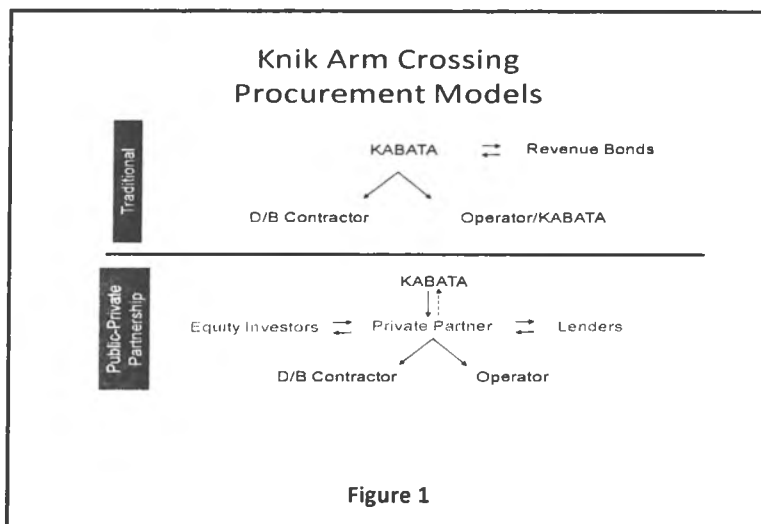
Finally, in addition to the positive impacts on employment during the construction of the Knik Arm Crossing, the Crossing is estimated to have a positive economic impact on the State of Alaska in excess of \$18 billion dollars over the project's first 24 years.

Public Private Partnerships

HB158 Analysis of Legislation

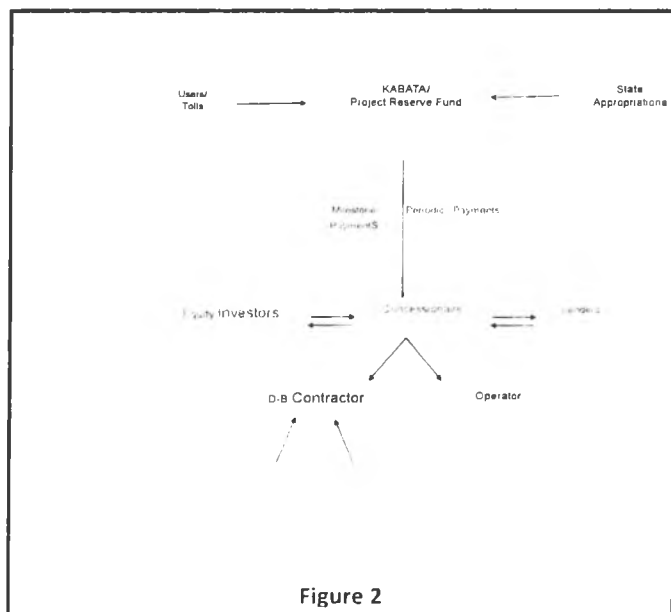
KABATA plans to finance, deliver and operate the Knik Arm Crossing through a public-private partnership. Figure 1 graphically shows the major differences between how KABATA might develop the Crossing under a traditional procurement model and how the Crossing will be developed under a public private partnership.

Under a traditional approach, KABATA would take significant design and construction risk for the Crossing. In addition, KABATA, either through a private operator or directly, would be responsible for operating and maintaining the Crossing. This includes operating the toll facilities and collecting tolls.



With a public-private partnership, KABATA will contract directly with a private partner. That private partner would be required to work with equity investors and lenders to raise the finances necessary to design and construct the Crossing to the standards required by KABATA, ADOT&PF and FHWA.

The contract with the private partner will require the private partner to design, build, finance, operate, and maintain the Crossing for a set number of years. In return, KABATA would pay to the private partner pre-determined, fixed payments upon achieving certain milestones – especially project completion – and periodic payments during the operating period based on meeting performance requirements. Under this structure, KABATA and the State would retain the right to all of the toll revenues and use these revenues as the main source for the periodic payments. Figure 2 graphically shows these relationships.



The private partner will use the payments it earns to service its debt, pay its operating and maintenance expenses, and provide a return to its equity investors. The State, through KABATA, would define its financial obligation to the private partner. There would be no recourse to KABATA or the State beyond these defined obligations. KABATA and the State will not have any direct liability for debt repayment and will not pledge any KABATA or

HB158 Analysis of Legislation

State revenues or assets to lenders to secure debt repayment.

Under the public-private partnership, the private partner will be responsible for constructing and maintaining the Crossing, operating the toll facilities, collecting tolls on behalf of KABATA, and providing customer service. These services will be performed pursuant to standards established by KABATA and the cost of these services will be included as part of the proposals. KABATA will monitor, audit and inspect the work and enforce contract requirements.

At all times under the public-private partnership the State, through KABATA, will own the project and the toll revenues.

Advantages of a public-private partnership

A public-private partnership will have distinct advantages over the conventional method of transportation project delivery. Among the advantages are:

- Maximizing up-front capital formation from non-governmental sources.
- Accelerating project delivery through the utilization of private capital and the integration of design and construction under one responsible party.
- Improving cost and schedule certainty early in the design phase.
- Improved risk management and more risk transfer to the private sector.
- Life cycle cost efficiency through private sector profit motivation throughout the contract term.
- Improving project quality, performance and maintenance via opportunity for design and construction innovations early in project development, strong performance standards, and long-term asset condition requirements.

Procurement Process

In late 2007 KABATA began procuring a private partner to design, build, finance, operate, and maintain the Knik Arm Crossing. This procurement was undertaken pursuant to ADOT&PF's innovative project delivery process. After KABATA issued a request for qualifications, two private sector consortia were determined to have the capacity to complete the project and were shortlisted.

KABATA then held several industry meetings with the shortlisted consortia and prepared draft procurement documents. KABATA brought into the process representatives from both ADOT&PF and FHWA to review and comment on the draft procurement documents. Due to delays in the environmental review process, in 2008 KABATA put the procurement on hold, pending the receipt of the Record of Decision. As noted above, the Record of Decision was signed on December 15, 2010.

Since the procurement was put on hold, the market place has changed. The global financial crisis has affected the financial market conditions and requirements for public-private partnerships. Transaction structures and sources of funds have changed in response to these new financial market conditions, with a strong market swing away from toll revenue concessions toward the form of "availability

HB158 Analysis of Legislation

payment” concession depicted in Figure 2. In addition, participants in the concessionaires market have changed. As a result, changes to KABATA’s enabling statutes are needed to address these new market conditions and allow KABATA to take advantage of the most advantageous transaction structure for the benefit of the State.

KABATA will conduct the procurement in close consultation with ADOT&PF and FHWA to ensure KABATA uses sound procurement practices and complies with all legal requirements. This will also help ensure that the State obtains best value.

Proposed Legislation

The requested legislation amends the existing statute and to enable a successful procurement. Action now on these legislative changes will facilitate the Knik Arm Crossing being open for traffic in 2015, accelerating when the State of Alaska will begin enjoying the economic benefits generated by the Crossing. The following explains the reasons for the requested changes and the appropriation.

- **Increase in Bonding Authority.** FHWA allocated \$600 million of Private Activity Bonds to the Knik Arm Crossing. PABs allow tax-exempt bonds to be issued for projects which have a significant private interest, such as the Crossing. This allocation effectively lowers the cost of capital and provides better value for the State.

Based on current analysis, it is anticipated that the entire \$600 million PABs allocation may be utilized. These bonds have to be issued by a governmental entity, in this case KABATA. This request increases KABATA’s ability to issue revenue bonds from \$500 million to the \$600 million expected to be needed. Issuance of PABs by KABATA, as a conduit issuer, will not create an obligation of the State, nor will it constitute a pledging of state revenues or assets. The private partner will be the borrower of the bonds, not the State or KABATA.

- **Property Tax Clarification.** This change will clarify ambiguities that the Knik Arm Crossing is exempt from state and local property taxes and assessments whether operated directly by the public authority or on its behalf by a private party through a public-private partnership. This change recognizes that the essential public nature, purpose and use of the Crossing remain unchanged regardless of whether it is operated by the State through KABATA, or by a private operator. Any private activity the private partner may undertake ancillary to operating the toll facility would remain subject to property tax. Under a traditional contracting approach, no private contractor or operator would be subject to property tax on the facility. This change would put the public-private partnership and the private partner on the same footing. It will reduce the availability payment and keep tolls more affordable.
- **KABATA’s Contractual Monetary Obligations.** This requested change removes any ambiguity that may exist about the obligations of the State under a public-private partnership agreement between KABATA and a private partner. The requested change applies only to “monetary

HB158 Analysis of Legislation

liabilities” which KABATA may incur pursuant to a public-private partnership. All other KABATA obligations – whether under other contracts, due to tortious conduct, or otherwise – remain separate from the State. Prior to approval and execution of a public-private agreement by KABATA’s Board of Directors, the Attorney General, ADOT&PF and the Department of Revenue will review the agreement. KABATA’s board approving the public-private agreement includes by statute the Commissioners of the Departments of Transportation and Revenue, three public members appointed by the Governor, one senator and one representative, providing a broad representation of the State’s interest.

The obligation of the State under this change is a moral obligation not a legal obligation. Satisfaction of a contract liability is subject to a decision by the Legislature to appropriate money for this purpose.

This change is necessary and essential to attract low cost debt and equity to finance the Project. It will improve the market’s confidence in KABATA’s ability to pay, it will reduce the availability payment owed by KABATA and the State. In turn, this will help keep tolls affordable to the traveling public.

- **Project Reserve Fund.** The legislation includes provisions for establishing a project reserve fund. This reserve fund is not unique; it is patterned after similar reserve funds authorized for other Alaska governmental entities under existing statutes. E.g., AS 14.40.951 (Alaska Aerospace Corporation reserve fund); AS 14.42.240 (Alaska Student Loan Corporation capital reserve fund); AS 18.56.125 (Alaska Housing Financing Corporation capital reserve fund); AS 44.85.270 (Alaska Municipal Bond Bank Authority capital reserve fund); AS 44.88.105 (Alaska Industrial Development and Export Authority capital reserve fund).

The purpose of the project reserve fund is to reduce KABATA’s costs by reducing the developer’s cost of financing the project. One of the funding sources for the project reserve fund will be appropriations by the Legislature. The project reserve fund also will be the place where toll revenues are deposited.

The private partner’s lenders and equity investors will rely solely on the payment stream from KABATA as the means for the private partner to service its debt and provide a return on equity. The financial markets will carefully examine whether that payment stream is reliable and creditworthy. Reliability is an important factor in whether the senior project debt that the private partner obtains will receive an investment grade credit rating. Such a rating is probably a “must have” for this project to be successful, and will lower the cost of debt and equity. The reserve fund is one of the key measures to establish this reliability and creditworthiness.

HB158 Analysis of Legislation

The reserve fund will apply KABATA's sources of revenue –tolls and appropriations - for specific purposes. The most important is to use the funds to compensate the private partner for the design, construction, operations and maintenance of the facility for the term of the agreement.

By holding these sources of revenue in a reserve fund dedicated to this purpose, the private partner is assured of an interest in these funds and that they will not be diverted to other purposes. This greatly improves the market acceptance of KABATA's ability to pay. This increased acceptance will lower the cost of the private partner's equity and debt and thereby lower the amount proposers will bid for these payments.

Under the legislation KABATA is required to annually report to the legislature the status of the reserve fund. If the reserve fund drops below a minimum required amount, that will trigger a request from KABATA for further appropriation to meet the minimum required amount. The specifics on the minimum required amount will be developed during the procurement and spelled out under the documents that establish the reserve fund. If the reserve fund is authorized and funds are appropriated to it, KABATA's latest financial projections indicate that no further appropriation will be needed. These projections are believed to be realistic.

As the reserve fund builds up a surplus, the surplus could be used to fund needed capacity improvements and other federally-eligible transportation purposes and facilities. The specifics on what constitutes surplus funds will be developed and spelled out under the documents that establish the reserve fund.

Financial Benefit

Passage of HB 158 will facilitate the ability of KABATA to procure a public-private partnership which would greatly increase the benefit to the State. Passage of this legislation would allow KABATA the option to move forward with an availability payment structure, the public-private partnership which will generate the best value for the State.

Based on this structure, KABATA estimates the Knik Arm Crossing could generate for the State net revenue of approximately \$10 billion over 60 years of operation, a portion of which will be reinvested in capacity improvements and Project extension, with

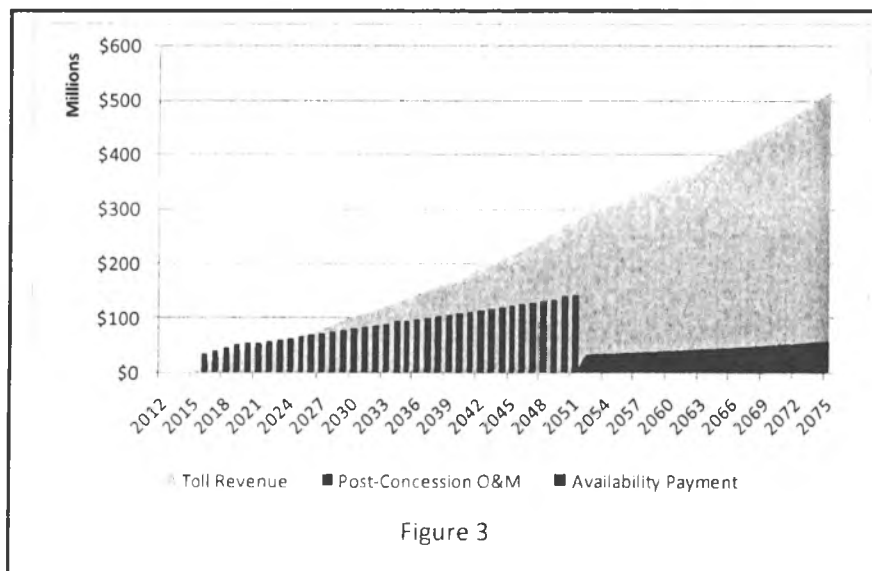


Figure 3

HB158 Analysis of Legislation

the remainder available to invest in any Title 23 eligible transportation projects in the State. This is shown graphically in Figure 3.

This \$10 billion is in addition to the \$18 billion in economic benefits which are estimated to be generated by the Crossing during its first 24 years of operations.

The proposed legislation establishes the framework for KABATA to procure, through ADOT&PF's innovative projects delivery process, a private partner to help the State realize these benefits.

KNIK ARM CROSSING
PRELIMINARY DESIGN PHOTO RENDERING



The AlaskaPoll



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Information for Solutions

- ❖ Market Research
- ❖ Public Opinion Analysis
- ❖ Political and Government Research
- ❖ Focus Groups

UPDATED 2011: ALASKA STATEWIDE PUBLIC ATTITUDES AND PERCEPTIONS

Knik Arm Bridge And Toll Authority (KABATA)



January 2011



I. Methodology 1

II. Findings 2 - 9

III. Summary 10

IV. Crosstabulations 11 - 22

V. Appendix:
Preliminary Legislative Handout (January 17, 2011)



Methodology





Overview

During the period January 6 through January 16, 2011, six hundred three (n=603) Alaskans over the age of 18, located in 64 communities, were personally contacted via telephone by professional interviewing employees of the Dittman Research & Communications (DRC) of Alaska. All views and data were obtained on a strictly confidential basis.

Research Design

A random sample design was featured which provided that all households listed in the most current telephone directory for each community had essentially an equal chance of being interviewed.

Sample Plan

To provide for independent sub-group analysis in the Anchorage and Mat-Su Valley regions, a sample plan was featured which established that n=179-222 respondents were included in those two geographic regions. Sample allocation to the remaining regions was based on population distribution. To provide for representative statewide analysis, the geographic regions were individually weighted to accurately account for Alaska's actual geographic population totals.

Regional Distribution and Weighting	
<u>Sample Allocation</u>	<u>Weighted To</u>
n=222 Anchorage	41%
n=179 Mat-Su Valley	15%
n= 56 Other Southcentral	8%
n= 64 Fairbanks (Central).....	16%
n= 42 Southeast	12%
n= 40 Rural	8%

Processing the Data

DRC employees completed coding, editing, data entry, and verification, while data processing was completed through the in-house DRC computer system featuring the Statistical Package for the Social Sciences (SPSS) program. The SPSS program is one of the most sophisticated research-oriented data processing and analytical systems available, and is designed specifically for the processing and analysis of survey research data.

Measurement History

Public opinion measurements by DRC, utilizing the previously described methodology, analytical procedures and data processing systems, have proven to accurately represent the outcome of every Primary and General election for U.S. Senator and Governor of Alaska for the past forty years.



Findings



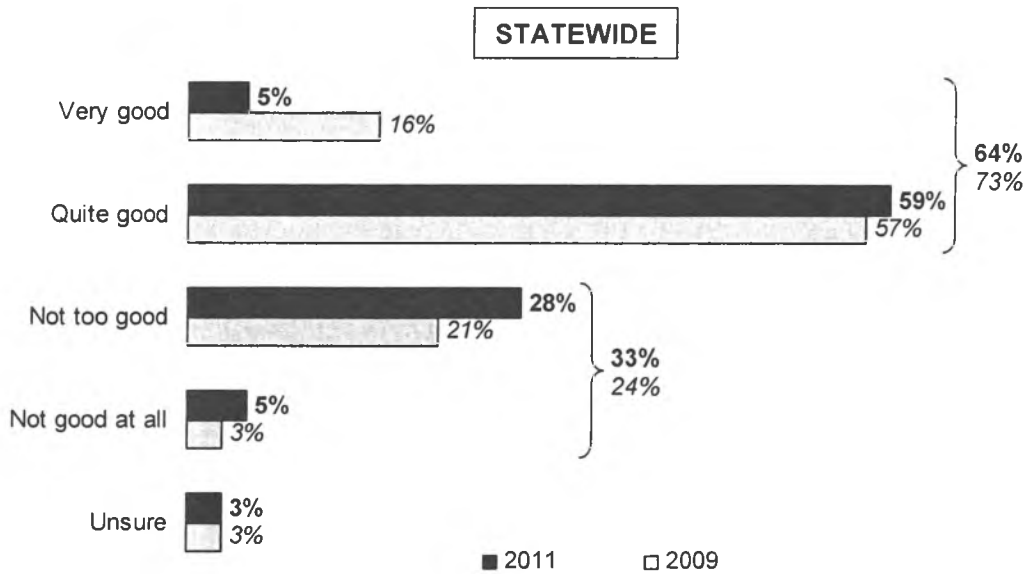


FINDINGS

ALASKAN ATTITUDES & PERCEPTIONS

On a statewide basis, Alaskans continue to report substantial optimism regarding the future of the state's economy (64% "very" or "quite good"); however, current confidence has declined somewhat compared to two years ago (73% "very" or "quite good" in 2009).

Question: *Overall, what's your personal opinion regarding the direction of Alaska's economy -- would you say our economic future is looking...? **



Both Anchorage and Mat-Su residents currently report positive perceptions regarding Alaska's economic future, but Mat-Su respondents appear to remain a little less sure.

"...Alaska's economic future...?"

	2011		2009	
	Good	Not good	Good	Not good
Anchorage	63%	36%	78%	19%
Mat-Su Valley	56%	41%	70%	28%

* Note: In 2009, this question was worded: "Looking into the future, how much confidence do you have in Alaska's economy -- would you say our economic future looks...?"





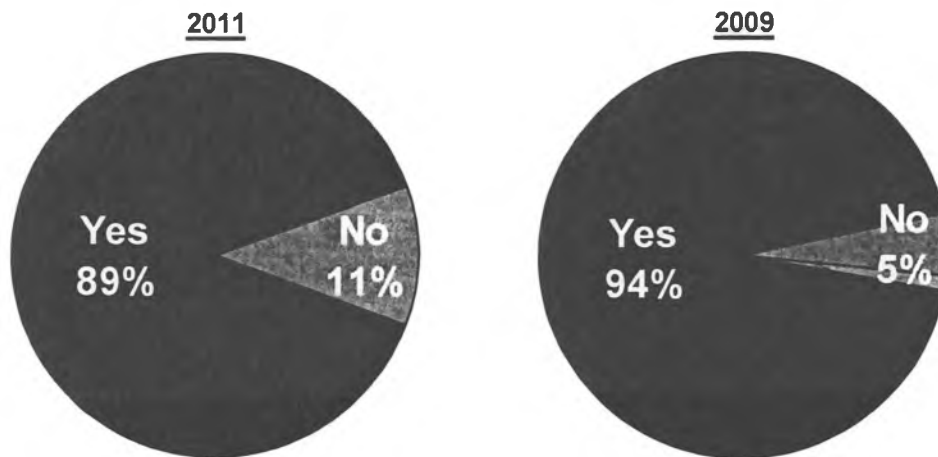
FINDINGS

ALASKAN ATTITUDES & PERCEPTIONS

By far, the vast majority of Alaskans (89%) continue to be aware of the proposed Knik Arm Crossing; however, reported awareness has declined slightly during the past two years.

Question: Have you ever heard or read anything about a proposed bridge between Anchorage and the Matanuska-Susitna Borough called the Knik Arm Crossing?

STATEWIDE



Residents of the most affected communities, Anchorage and Mat-Su Valley, report especially high awareness of the proposed bridge (96-97%).

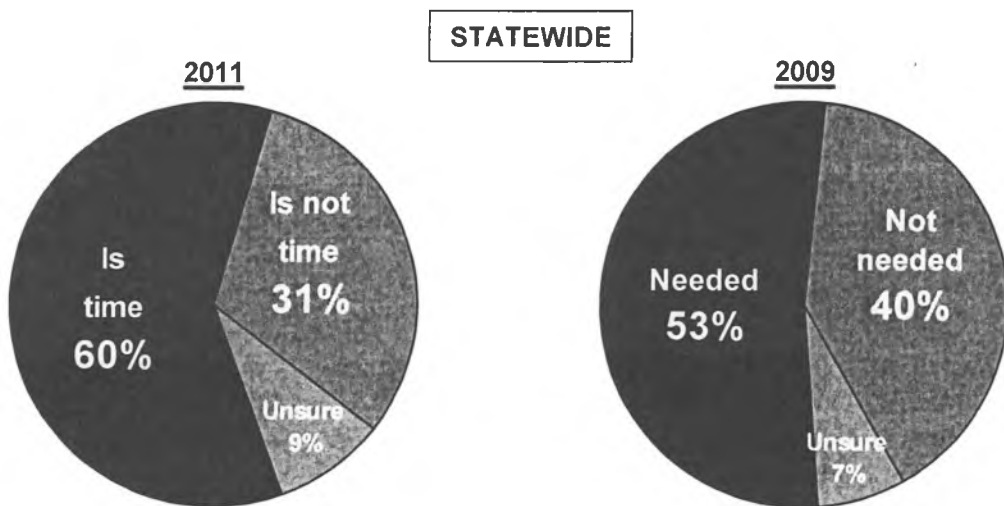
"...heard or read about proposed Knik Arm bridge...?"

	2011		2009	
	Yes	No	Yes	No
Anchorage	96%	4%	100%	-
Mat-Su Valley	97%	3%	98%	2%



Three-out-of-five Alaskan respondents statewide (60%) report it *"is getting close to the time to build"* a Knik Arm bridge, which may indicate increasing support in recent years -- in 2009: 53% of Alaskans said a bridge *"will be needed in the near future"*.

Question: *Building a bridge across the Knik Arm connecting Anchorage and the Matanuska-Susitna Borough was first proposed nearly 90 years ago in 1923. Alaska's population has grown substantially since then, and over half the state's population now lives in the Anchorage/Mat-Su Valley area. What is your personal opinion -- do you feel it is or is not getting close to the time to build a bridge between Anchorage and the Matanuska-Susitna Valley?*



Support for a potential bridge across Knik Arm is high statewide (60%), higher in Anchorage (62%), and especially strong in the Mat-Su Valley (75%).

"...close to time to build a bridge...?"

	2011		2009	
	<u>Is</u>	<u>Is not</u>	<u>Needed</u>	<u>Not needed</u>
Anchorage	62%	33%	52%	45%
Mat-Su Valley	75%	21%	66%	30%

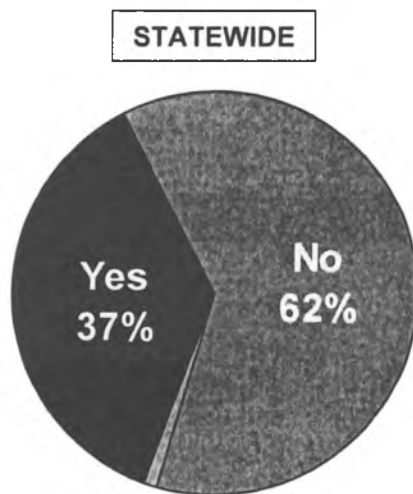
* Note: In 2009, this question was worded: *"Building a bridge across the Knik Arm between Anchorage and the Matanuska-Susitna Borough has been considered for many years. As the populations of these areas continue to grow, interest in the subject appears to be increasing. In your opinion at this time -- based on what you've heard or read, or your personal experience -- do you feel a bridge across the Knik Arm connecting Anchorage and the Matanuska-Susitna Valley will be needed in the near future, or not?"*





Compared to awareness of a potential Knik Arm bridge (89%, see page 4), statewide awareness that the federal government has approved construction is relatively low (37%).

Question: On December 15, 2010, the Federal Highway Administration announced that after input from state and local governments, tribes, and the public-at-large, and after careful consideration of social, economic and environmental factors, it has approved construction of the Knik Arm bridge between Anchorage and the Mat-Su Borough. Were you aware the Federal government had approved construction of the Knik Arm bridge?



And even in the areas most directly affected, awareness of federal construction approval does not exceed 50%.

“...aware Federal government approved construction...?”

	<u>Yes</u>	<u>No</u>
Anchorage	45%	55%
Mat-Su Valley	50%	50%



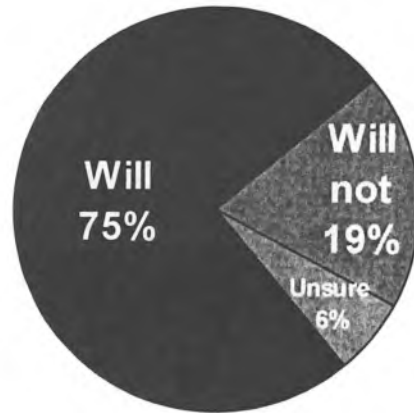
FINDINGS

ALASKAN ATTITUDES & PERCEPTIONS

Three-out-of-four Alaskan respondents (75%) feel that a Knik Arm bridge “will” lead to more jobs and economic growth.

*Question: Following federal approval of the Knik Arm bridge, Governor Sean Parnell said that...
“Alaska is a storehouse of natural resources and human capital. Jobs and new development rely on a solid transportation network, and the Knik Arm bridge is an important link in Alaska’s regional transportation system.”
... What is your opinion, do you feel building the Knik Arm bridge will or will not help lead to more jobs and economic growth?*

STATEWIDE



The vast majority of residents in Anchorage (74%) and the Mat-Su Valley (85%) agree the bridge “will” help the economy.

“...will Knik Arm bridge lead to more jobs and economic growth...?”

	<u>Will</u>	<u>Will not</u>
Anchorage	74%	23%
Mat-Su Valley	85%	13%





The strongest argument for building a bridge across Knik Arm is to have a "second connection for emergencies and evacuations" (77%), followed by "save time, money and provide jobs" (73%), and "meet population and transportation needs" (72%).

Question: The decision by the Federal Highway Administration to approve construction of the Knik Arm bridge strongly considered social and environmental factors. I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge.

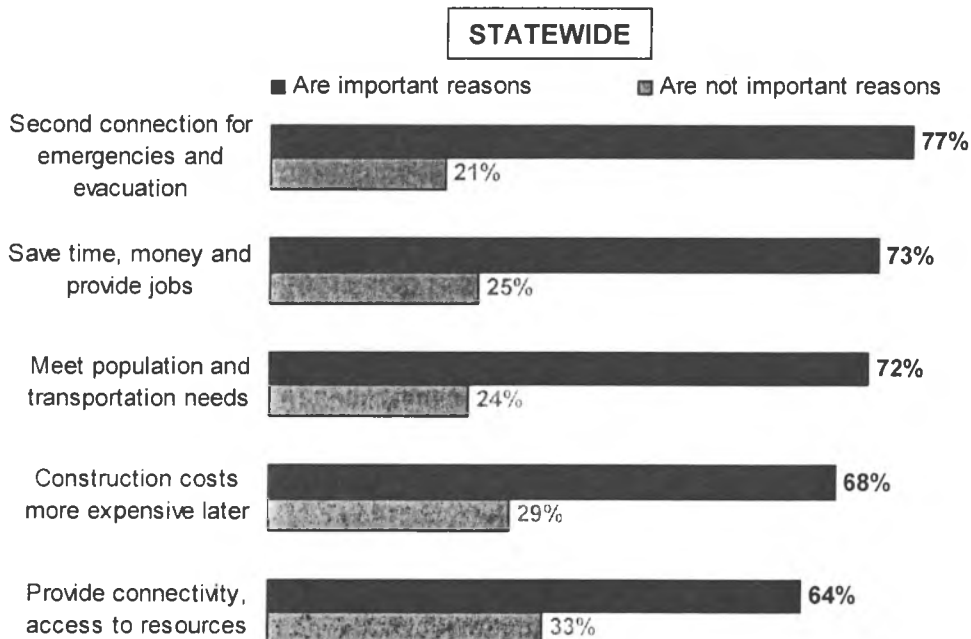
...Provide a second connection between Anchorage and the Mat-Su Valley for emergencies and disaster evacuation

...Save time, money and provide jobs now

...Meet projected population and transportation needs of Anchorage and the Mat-Su Borough

...Construction costs are likely to rise & it will be more expensive later

...Provide community connectivity and access to natural resources





FINDINGS ALASKAN ATTITUDES & PERCEPTIONS

Although all potential factors are considered to be important reasons to build the Knik Arm bridge, the greatest support is reported in the Mat-Su Valley (72-87% "important reasons").

"...reasons to build Knik Arm bridge...?"

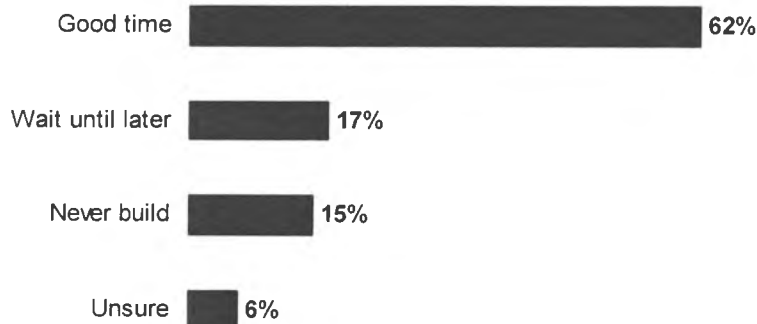
% "Are Important Reasons"

	<u>Emergencies, evacuation</u>	<u>Time, money, jobs</u>	<u>Trans. needs</u>	<u>Construction costs</u>	<u>Access to resources</u>
Anchorage.....	77%	71%	71%	69%	64%
Mat-Su Valley.....	87%	82%	80%	78%	72%

And looking ahead, when timing options are considered, more than three-out-of-five statewide respondents (62%) think "now is a good time" to build a Knik Arm bridge.

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

STATEWIDE



...with a strong majority of Anchorage and Mat-Su respondents (61-73%) saying "now is a good time".

"...good time to build bridge...?"

	<u>Good time</u>	<u>Wait until later</u>	<u>Never build</u>	<u>Unsure</u>
Anchorage.....	61%	18%	17%	3%
Mat-Su Valley.....	73%	12%	12%	3%





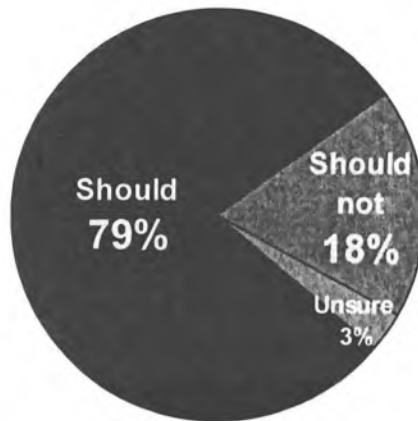
FINDINGS

ALASKAN ATTITUDES & PERCEPTIONS

And when everything is considered, if construction of the Knik Arm bridge were to be delayed, nearly four-out-of-five Alaskans (79%) would still like to see the Knik Arm bridge included in the region's Long-Range Transportation Plan.

Question: *Regardless of whether or not you support building the Knik Arm bridge at the present time, do you feel it should or should not continue to be included in Southcentral Alaska's Long-Range Transportation Plan? **

STATEWIDE



...and there is growing support in Anchorage and the Mat-Su Valley to include the bridge in the Long-Range Transportation Plan -- 75-88% currently, compared to 67-79% two years ago.

"...include in Long-Range Transportation Plan...?"

	<u>2011</u>		<u>2009</u>	
	<u>Should include</u>	<u>Should not include</u>	<u>Should include</u>	<u>Should not include</u>
Anchorage	75%	23%	67%	31%
Mat-Su Valley	88%	11%	79%	17%

*Note: In 2009, this question was not asked statewide. It was asked only of Anchorage and Mat-Su Valley residents. The 2009 question was worded: "Do you feel planning for a Knik Arm bridge should or should not be included in Southcentral Alaska's long-range transportation planning?"



Summary





SUMMARY OF FINDINGS

- ◆ Awareness of a proposed Knik Arm bridge remains high (89%)...
- ◆ However, only a little over one-out-of-three respondents (37%) are aware the federal government has approved construction of the Knik Arm bridge.
- ◆ It appears information concerning the federal approval of the Knik Arm bridge will be warmly received by Alaskans -- by a ratio of 2:1, Alaskans now report *"it's getting close to the time to build a bridge"* (60%) compared to *"is not getting close to time"* (31%).
- ◆ And nearly the same percentage (62%) report they feel *"now is a good time to build a Knik Arm bridge"* rather than *"later"* (17%) or *"never"* (15%).
- ◆ And if for some reason construction of the Knik Arm bridge were to be delayed, by far the largest number of Alaskans (79%) believe it should be included in the area's Long-Range Transportation Plan.

Cross tabulations



Overall, what's your personal opinion regarding the direction of Alaska's economy -- would you say our economic future is looking...?

		Unsure	Very good	Quite good	Not too good	Not good at all	BASE
TOTAL		3%	5%	59%	28%	5%	100.0%
Region	Rural	3%	5%	60%	25%	8%	8.3%
	Central	6%	2%	59%	30%	3%	15.4%
	Southcentral	9%	7%	59%	20%	5%	8.3%
	Anchorage	1%	5%	58%	29%	7%	41.1%
	Southeast	2%	2%	74%	19%	2%	11.9%
	Mat-Su	3%	6%	50%	35%	6%	14.9%
Registration	Democrat	1%	6%	60%	33%	0%	15.6%
	Republican	5%	2%	53%	33%	7%	26.0%
	Non-Partisan	3%	6%	61%	23%	7%	50.4%
	Other	0%	6%	61%	31%	2%	3.4%
	Not registered	12%	2%	63%	23%	0%	4.6%
Anc/Mat-Su Commute	Unsure	0%	0%	88%	12%	0%	1.3%
	Yes	3%	6%	59%	27%	6%	28.7%
	No	1%	6%	54%	32%	7%	70.0%
Income	Refused	6%	7%	51%	32%	4%	17.5%
	Under \$20,000	10%	6%	46%	37%	1%	6.0%
	\$20-\$40,000	3%	2%	62%	30%	3%	12.3%
	\$40-\$60,000	3%	1%	56%	37%	3%	14.0%
	\$60-\$80,000	0%	3%	69%	22%	5%	13.5%
	\$80-\$100,000	3%	5%	64%	24%	4%	12.9%
	Over \$100,000	1%	7%	61%	20%	11%	23.8%
Age	18-29	4%	5%	63%	22%	6%	9.0%
	30-44	4%	4%	74%	14%	4%	17.7%
	45-59	3%	4%	56%	31%	6%	39.5%
	60+	2%	5%	54%	33%	5%	33.8%
Gender	Male	3%	6%	56%	26%	9%	48.5%
	Female	3%	3%	62%	29%	2%	51.5%

**Have you ever heard or read anything about a proposed
bridge between Anchorage and the Matanuska-Susitna
Borough called the Knik Arm Crossing?**

		Yes	No	BASE
TOTAL		89%	11%	100.0%
Region	Rural	78%	23%	8.3%
	Central	84%	16%	15.4%
	Southcentral	89%	11%	8.3%
	Anchorage	96%	4%	41.1%
	Southeast	67%	33%	11.9%
	Mat-Su	97%	3%	14.9%
Registration	Democrat	77%	23%	15.6%
	Republican	93%	7%	26.0%
	Non-Partisan	92%	8%	50.4%
	Other	96%	4%	3.4%
	Not registered	64%	36%	4.6%
Anc/Mat-Su Commute	Unsure	74%	26%	1.3%
	Yes	97%	3%	28.7%
	No	97%	3%	70.0%
Income	Refused	85%	15%	17.5%
	Under \$20,000	71%	29%	6.0%
	\$20-\$40,000	79%	21%	12.3%
	\$40-\$60,000	91%	9%	14.0%
	\$60-\$80,000	97%	3%	13.5%
	\$80-\$100,000	95%	5%	12.9%
	Over \$100,000	92%	8%	23.8%
Age	18-29	65%	35%	9.0%
	30-44	85%	15%	17.7%
	45-59	93%	7%	39.5%
	60+	93%	7%	33.8%
Gender	Male	89%	11%	48.5%
	Female	89%	11%	51.5%

Building a bridge across the Knik Arm connecting Anchorage and the Matanuska-Susitna Borough was first proposed nearly 90 years ago in 1923. Alaska's population has grown substantially since then, and over half the state's population now lives in the Anchorage/Mat-Su Valley area. What is your personal opinion -- do you feel it is or is not getting close to the time to build a bridge between Anchorage and the Matanuska-Susitna Valley?

		Unsure	Is	Is not	BASE
TOTAL		9%	60%	31%	100.0%
Region	Rural	8%	68%	25%	8.3%
	Central	13%	56%	31%	15.4%
	Southcentral	14%	52%	34%	8.3%
	Anchorage	5%	62%	33%	41.1%
	Southeast	24%	38%	38%	11.9%
	Mat-Su	4%	75%	21%	14.9%
Registration	Democrat	8%	52%	40%	15.6%
	Republican	10%	69%	21%	26.0%
	Non-Partisan	8%	57%	34%	50.4%
	Other	16%	60%	24%	3.4%
	Not registered	17%	59%	24%	4.6%
Anc/Mat-Su Commute	Unsure	26%	37%	37%	1.3%
	Yes	3%	66%	31%	28.7%
	No	5%	66%	29%	70.0%
Income	Refused	17%	48%	35%	17.5%
	Under \$20,000	13%	68%	19%	6.0%
	\$20-\$40,000	6%	62%	32%	12.3%
	\$40-\$60,000	6%	63%	31%	14.0%
	\$60-\$80,000	10%	61%	29%	13.5%
	\$80-\$100,000	7%	61%	32%	12.9%
	Over \$100,000	7%	62%	30%	23.8%
Age	18-29	9%	63%	29%	9.0%
	30-44	14%	65%	20%	17.7%
	45-59	10%	58%	32%	39.5%
	60+	6%	59%	36%	33.8%
Gender	Male	6%	63%	32%	48.5%
	Female	12%	57%	31%	51.5%

On December 15, 2010, the Federal Highway Administration announced that after input from state and local governments, tribes, and the public-at-large, and after careful consideration of social, economic and environmental factors, it has approved construction of the Knik Arm bridge between Anchorage and the Mat-Su Borough. Were you aware the Federal government had approved construction of the Knik Arm bridge?

		Unsure	Yes	No	BASE
TOTAL		1%	37%	62%	100.0%
Region	Rural	3%	23%	75%	8.3%
	Central	3%	22%	75%	15.4%
	Southcentral	0%	30%	70%	8.3%
	Anchorage	0%	45%	55%	41.1%
	Southeast	0%	26%	74%	11.9%
	Mat-Su	0%	50%	50%	14.9%
Registration	Democrat	0%	23%	77%	15.6%
	Republican	2%	37%	61%	26.0%
	Non-Partisan	0%	41%	59%	50.4%
	Other	0%	47%	53%	3.4%
	Not registered	5%	30%	66%	4.6%
Anc/Mat-Su Commute	Unsure	0%	26%	74%	1.3%
	Yes	0%	47%	53%	28.7%
	No	0%	46%	54%	70.0%
Income	Refused	0%	35%	65%	17.5%
	Under \$20,000	0%	20%	80%	6.0%
	\$20-\$40,000	2%	30%	68%	12.3%
	\$40-\$60,000	0%	31%	69%	14.0%
	\$60-\$80,000	0%	37%	63%	13.5%
	\$80-\$100,000	3%	44%	53%	12.9%
	Over \$100,000	0%	46%	54%	23.8%
Age	18-29	0%	12%	88%	9.0%
	30-44	0%	31%	69%	17.7%
	45-59	1%	44%	55%	39.5%
	60+	1%	38%	61%	33.8%
Gender	Male	1%	43%	56%	48.5%
	Female	0%	31%	69%	51.5%

Following federal approval of the Knik Arm bridge, Governor Sean Parnell said that:

'Alaska is a storehouse of natural resources and human capital. Jobs and new development rely on a solid transportation network, and the Knik Arm bridge is an important link in Alaska's regional transportation system.'

...What is your opinion, do you feel building the Knik Arm bridge will or will not help lead to more jobs and economic growth?

		Unsure	Will	Will not	BASE
TOTAL		6%	75%	19%	100.0%
Region	Rural	0%	75%	25%	8.3%
	Central	3%	83%	14%	15.4%
	Southcentral	13%	59%	29%	8.3%
	Anchorage	3%	74%	23%	41.1%
	Southeast	24%	64%	12%	11.9%
	Mat-Su	2%	85%	13%	14.9%
Registration	Democrat	7%	68%	25%	15.6%
	Republican	7%	80%	13%	26.0%
	Non-Partisan	5%	74%	21%	50.4%
	Other	18%	64%	18%	3.4%
	Not registered	4%	82%	14%	4.6%
Anc/Mat-Su Commute	Unsure	26%	37%	37%	1.3%
	Yes	2%	76%	22%	28.7%
	No	3%	78%	19%	70.0%
Income	Refused	15%	59%	26%	17.5%
	Under \$20,000	4%	82%	14%	6.0%
	\$20-\$40,000	6%	79%	15%	12.3%
	\$40-\$60,000	3%	80%	17%	14.0%
	\$60-\$80,000	5%	75%	20%	13.5%
	\$80-\$100,000	1%	74%	25%	12.9%
	Over \$100,000	5%	78%	17%	23.8%
Age	18-29	7%	80%	14%	9.0%
	30-44	5%	80%	15%	17.7%
	45-59	8%	68%	24%	39.5%
	60+	4%	78%	18%	33.8%
Gender	Male	5%	78%	17%	48.5%
	Female	7%	72%	21%	51.5%

...I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge: Provide a second connection between Anchorage and the Mat-Su Valley for emergencies and disaster evacuation.

		Unsure	Important reason	Not important reason	BASE
TOTAL		1%	77%	21%	100.0%
Region	Rural	0%	73%	28%	8.3%
	Central	0%	78%	22%	15.4%
	Southcentral	0%	79%	21%	8.3%
	Anchorage	0%	77%	23%	41.1%
	Southeast	12%	67%	21%	11.9%
	Mat-Su	0%	87%	13%	14.9%
Registration	Democrat	0%	77%	23%	15.6%
	Republican	1%	87%	12%	26.0%
	Non-Partisan	2%	72%	27%	50.4%
	Other	8%	65%	26%	3.4%
	Not registered	0%	94%	6%	4.6%
Anc/Mat-Su Commute	Unsure	0%	63%	37%	1.3%
	Yes	0%	78%	22%	28.7%
	No	0%	81%	19%	70.0%
Income	Refused	6%	69%	25%	17.5%
	Under \$20,000	0%	90%	10%	6.0%
	\$20-\$40,000	0%	77%	23%	12.3%
	\$40-\$60,000	2%	77%	21%	14.0%
	\$60-\$80,000	0%	77%	23%	13.5%
	\$80-\$100,000	0%	82%	18%	12.9%
	Over \$100,000	0%	78%	22%	23.8%
Age	18-29	0%	87%	13%	9.0%
	30-44	2%	85%	13%	17.7%
	45-59	2%	73%	25%	39.5%
	60+	1%	75%	24%	33.8%
Gender	Male	1%	75%	24%	48.5%
	Female	2%	79%	19%	51.5%

...I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge:
Save time, money and provide jobs now.

		Unsure	Important reason	Not important reason	BASE
TOTAL		2%	73%	25%	100.0%
Region	Rural	0%	73%	28%	8.3%
	Central	0%	81%	19%	15.4%
	Southcentral	2%	70%	29%	8.3%
	Anchorage	1%	71%	28%	41.1%
	Southeast	10%	62%	29%	11.9%
	Mat-Su	2%	82%	16%	14.9%
Registration	Democrat	0%	70%	30%	15.6%
	Republican	3%	84%	13%	26.0%
	Non-Partisan	3%	68%	30%	50.4%
	Other	0%	66%	34%	3.4%
	Not registered	0%	84%	16%	4.6%
Anc/Mat-Su Commute	Unsure	0%	63%	37%	1.3%
	Yes	1%	76%	23%	28.7%
	No	2%	73%	25%	70.0%
Income	Refused	8%	59%	33%	17.5%
	Under \$20,000	0%	88%	12%	6.0%
	\$20-\$40,000	2%	80%	18%	12.3%
	\$40-\$60,000	1%	78%	21%	14.0%
	\$60-\$80,000	1%	76%	22%	13.5%
	\$80-\$100,000	1%	68%	31%	12.9%
	Over \$100,000	0%	75%	25%	23.8%
Age	18-29	0%	80%	20%	9.0%
	30-44	1%	82%	17%	17.7%
	45-59	3%	67%	30%	39.5%
	60+	2%	74%	24%	33.8%
Gender	Male	1%	74%	25%	48.5%
	Female	3%	72%	25%	51.5%

...I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge: Meet projected population and transportation needs of Anchorage and the Mat-Su Borough.

		Unsure	Important reason	Not important reason	BASE
TOTAL		4%	72%	24%	100.0%
Region	Rural	5%	78%	18%	8.3%
	Central	2%	80%	19%	15.4%
	Southcentral	5%	73%	21%	8.3%
	Anchorage	1%	71%	28%	41.1%
	Southeast	19%	55%	26%	11.9%
	Mat-Su	1%	80%	20%	14.9%
Registration	Democrat	0%	73%	27%	15.6%
	Republican	6%	80%	14%	26.0%
	Non-Partisan	4%	68%	28%	50.4%
	Other	13%	63%	24%	3.4%
	Not registered	5%	82%	14%	4.6%
Anc/Mat-Su Commute	Unsure	0%	63%	37%	1.3%
	Yes	0%	71%	29%	28.7%
	No	2%	74%	24%	70.0%
Income	Refused	10%	63%	27%	17.5%
	Under \$20,000	6%	71%	23%	6.0%
	\$20-\$40,000	2%	73%	26%	12.3%
	\$40-\$60,000	2%	83%	15%	14.0%
	\$60-\$80,000	1%	72%	27%	13.5%
	\$80-\$100,000	6%	67%	26%	12.9%
	Over \$100,000	2%	76%	22%	23.8%
Age	18-29	3%	82%	14%	9.0%
	30-44	3%	83%	14%	17.7%
	45-59	5%	66%	28%	39.5%
	60+	3%	71%	26%	33.8%
Gender	Male	4%	73%	23%	48.5%
	Female	4%	71%	25%	51.5%

...I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge:
Construction costs are likely to rise & it will be more expensive later.

		Unsure	Important reason	Not important reason	BASE
TOTAL		3%	68%	29%	100.0%
Region	Rural	5%	65%	30%	8.3%
	Central	2%	78%	20%	15.4%
	Southcentral	4%	43%	54%	8.3%
	Anchorage	2%	69%	29%	41.1%
	Southeast	14%	55%	31%	11.9%
	Mat-Su	1%	78%	21%	14.9%
Registration	Democrat	3%	63%	34%	15.6%
	Republican	5%	75%	20%	26.0%
	Non-Partisan	3%	66%	31%	50.4%
	Other	0%	76%	24%	3.4%
	Not registered	5%	56%	40%	4.6%
Anc/Mat-Su Commute	Unsure	0%	88%	12%	1.3%
	Yes	2%	71%	27%	28.7%
	No	1%	72%	27%	70.0%
Income	Refused	12%	57%	31%	17.5%
	Under \$20,000	0%	73%	27%	6.0%
	\$20-\$40,000	3%	70%	27%	12.3%
	\$40-\$60,000	3%	72%	25%	14.0%
	\$60-\$80,000	1%	69%	30%	13.5%
	\$80-\$100,000	2%	71%	28%	12.9%
	Over \$100,000	1%	68%	31%	23.8%
Age	18-29	5%	51%	44%	9.0%
	30-44	3%	68%	29%	17.7%
	45-59	3%	65%	32%	39.5%
	60+	4%	75%	21%	33.8%
Gender	Male	2%	68%	30%	48.5%
	Female	5%	67%	27%	51.5%

...I'm going to read some other factors and I'd like to know whether you feel they are or are not important reasons to build a Knik Arm bridge:
Provide community connectivity and access to natural resources.

		Unsure	Important reason	Not important reason	BASE
TOTAL		3%	64%	33%	100.0%
Region	Rural	3%	55%	43%	8.3%
	Central	0%	78%	22%	15.4%
	Southcentral	2%	57%	41%	8.3%
	Anchorage	2%	64%	34%	41.1%
	Southeast	14%	45%	40%	11.9%
	Mat-Su	2%	72%	27%	14.9%
Registration	Democrat	0%	52%	48%	15.6%
	Republican	3%	79%	18%	26.0%
	Non-Partisan	4%	57%	38%	50.4%
	Other	8%	66%	25%	3.4%
	Not registered	0%	79%	21%	4.6%
Anc/Mat-Su Commute	Unsure	0%	63%	37%	1.3%
	Yes	2%	65%	33%	28.7%
	No	2%	66%	32%	70.0%
Income	Refused	11%	58%	31%	17.5%
	Under \$20,000	0%	62%	38%	6.0%
	\$20-\$40,000	0%	62%	38%	12.3%
	\$40-\$60,000	2%	69%	29%	14.0%
	\$60-\$80,000	1%	63%	36%	13.5%
	\$80-\$100,000	3%	60%	38%	12.9%
	Over \$100,000	2%	68%	29%	23.8%
Age	18-29	0%	75%	25%	9.0%
	30-44	4%	72%	24%	17.7%
	45-59	4%	58%	37%	39.5%
	60+	2%	62%	35%	33.8%
Gender	Male	3%	67%	30%	48.5%
	Female	4%	60%	36%	51.5%

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

		Unsure	Now good time	Wait 'til later	Never built	BASE
TOTAL		5%	62%	17%	15%	100.0%
Region	Rural	0%	63%	18%	20%	8.3%
	Central	3%	64%	22%	11%	15.4%
	Southcentral	11%	55%	21%	13%	8.3%
	Anchorage	3%	61%	18%	17%	41.1%
	Southeast	19%	55%	10%	17%	11.9%
	Mat-Su	3%	73%	12%	12%	14.9%
Registration	Democrat	8%	53%	19%	21%	15.6%
	Republican	4%	74%	15%	7%	26.0%
	Non-Partisan	4%	59%	18%	19%	50.4%
	Other	17%	58%	17%	8%	3.4%
	Not registered	10%	66%	18%	6%	4.6%
Anc/Mat-Su Commute	Unsure	0%	63%	26%	12%	1.3%
	Yes	3%	66%	11%	20%	28.7%
	No	3%	63%	19%	14%	70.0%
Income	Refused	13%	49%	14%	24%	17.5%
	Under \$20,000	7%	61%	20%	11%	6.0%
	\$20-\$40,000	2%	67%	23%	8%	12.3%
	\$40-\$60,000	1%	70%	17%	12%	14.0%
	\$60-\$80,000	6%	61%	19%	14%	13.5%
	\$80-\$100,000	5%	57%	18%	20%	12.9%
	Over \$100,000	3%	69%	15%	13%	23.8%
Age	18-29	4%	69%	20%	7%	9.0%
	30-44	9%	70%	14%	7%	17.7%
	45-59	5%	57%	20%	18%	39.5%
	60+	4%	63%	15%	18%	33.8%
Gender	Male	3%	69%	15%	12%	48.5%
	Female	7%	56%	19%	18%	51.5%

Regardless of whether or not you support building the Knik Arm bridge at the present time, do you feel it should or should not continue to be included in Southcentral Alaska's long-range transportation plan?

		Unsure	Should	Should not	BASE
TOTAL		3%	79%	18%	100.0%
Region	Rural	3%	75%	23%	8.3%
	Central	2%	89%	9%	15.4%
	Southcentral	7%	71%	21%	8.3%
	Anchorage	2%	75%	23%	41.1%
	Southeast	10%	76%	14%	11.9%
	Mat-Su	1%	88%	11%	14.9%
Registration	Democrat	1%	77%	22%	15.6%
	Republican	1%	87%	12%	26.0%
	Non-Partisan	5%	75%	20%	50.4%
	Other	0%	87%	13%	3.4%
	Not registered	6%	80%	14%	4.6%
Anc/Mat-Su Commute	Unsure	0%	88%	12%	1.3%
	Yes	0%	76%	24%	28.7%
	No	2%	79%	18%	70.0%
Income	Refused	6%	68%	26%	17.5%
	Under \$20,000	5%	82%	14%	6.0%
	\$20-\$40,000	6%	81%	14%	12.3%
	\$40-\$60,000	1%	83%	16%	14.0%
	\$60-\$80,000	2%	83%	15%	13.5%
	\$80-\$100,000	3%	76%	22%	12.9%
	Over \$100,000	1%	83%	16%	23.8%
Age	18-29	1%	85%	14%	9.0%
	30-44	3%	86%	12%	17.7%
	45-59	3%	78%	19%	39.5%
	60+	4%	75%	21%	33.8%
Gender	Male	3%	81%	15%	48.5%
	Female	3%	77%	20%	51.5%

**Appendix:
Preliminary
Legislative Handout
(January 17, 2011)**



The AlaskaPoll ®



DITTMAN RESEARCH
& COMMUNICATIONS
CORPORATION

DRC Building
8115 Jewel Lake Road
Anchorage, Alaska 99502

Phone: (907) 243-3345

Fax: (907) 243-7172

Email: dittman@alaska.net

Web: dittmanresearch.com



Information for Solutions

- ❖ Market Research
- ❖ Public Opinion Analysis
- ❖ Political and Government Research
- ❖ Focus Groups

ALASKA STATEWIDE PUBLIC ATTITUDES AND PERCEPTIONS

Knik Arm Bridge and Toll Authority

January 2011

Methodology

Overview

During the period January 6-16, 2011, six hundred three (n=603) Alaskans were interviewed regarding their views concerning a Knik Arm Crossing toll bridge.

Research Design

A random sample design was featured which provided that all households listed in the most current telephone directory for each community had essentially an equal chance of being interviewed.

Sample Plan

A statewide representative sample was designed to provide sufficient respondents in each region for independent geographic sub-group analysis.

	<u>Sample Size</u>
Rural	n=40
Fairbanks	n=64
Matanuska-Susitna	n=179
Anchorage	n=222
Kenai Peninsula	n=56
Southeast	n=42
TOTAL	n=603

For statewide analysis, the geographic regions were combined and weighted in proportion to their percentage of the total population.

Rural	8%
Fairbanks	16%
Matanuska-Susitna	15%
Anchorage	41%
Kenai Peninsula	8%
Southeast	12%
TOTAL	100%

Sample Selection

Individual respondents were randomly selected from current telephone subscribers listed in the most current directory for each community.

Measurement History

Citizen opinion measurements by the Dittman Research & Communications Corporation have proven to be perfect predictors of U.S. Senate and Gubernatorial election results in Alaska for the past forty years.

**Knik Arm Bridge and Toll Authority
Alaska Statewide Public Attitudes and Perceptions**

**January 2011
(n=603)
Preliminary Findings**

- ◆ Overall, statewide awareness of the Knik Arm Crossing remains high (89%).

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"Have you ever heard or read anything about a proposed bridge between Anchorage and the Matanuska-Susitna Borough called the Knik Arm Crossing?"	Yes	89%	97%
	No	11%	3%

- ◆ And by far, the largest percentage of Alaskans (60%) feel it is time to build a bridge between Anchorage and the Mat-Su Valley.

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"...What is your personal opinion -- do you feel it is or is not getting close to the time to build a bridge between Anchorage and the Matanuska-Susitna Valley?"	Is	60%	65%
	Is not	31%	30%
	Unsure	9%	5%

- ◆ However, most Alaskans statewide reported they didn't know the Federal government had recently approved construction.

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"...Were you aware the Federal government had approved construction of the Knik Arm Bridge?"	Yes	37%	46%
	No	62%	54%
	Unsure	1%	--

- ◆ On a statewide basis, three out of four Alaskans (75%) believe the Knik Arm Bridge will lead to more jobs and a better economy.

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"...What is your opinion, do you feel building the Knik Arm bridge will or will not help lead to more jobs and economic growth?"	Will	75%	77%
	Will not	19%	20%
	Unsure	6%	3%



- ◆ **And strong majorities (64-77%) also believe a Knik Arm Bridge will provide community connectivity and access to natural resources; meet projected population and transportation needs; save time, money, and provide jobs; and provide a second connection for emergencies and evacuation.**

	<u>Good Reason</u>	<u>Not Good Reason</u>	<u>Unsure</u>
Provide community connectivity and access to natural resources	64%	33%	3%
Meet projected population and transportation needs of Anchorage and the Mat-Su Borough	72%	24%	4%
Save time, money and provide jobs now	73%	25%	2%
Provide a second connection between Anchorage and the Mat-Su Valley for emergencies and disaster evacuation	77%	21%	2%
Construction costs are likely to rise & it will be more expensive later	68%	29%	3%

- ◆ **In total, by far, the largest number of Alaskans (62%) report they believe “now” is a good time to build the Knik Arm Bridge.**

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"Overall, when everything is considered, would you say now is a good time to build a Knik Arm bridge, should we wait until later, or should it never be built?"	Now is good	62%	64%
	Wait until later	17%	17%
	Never be built	15%	16%
	Unsure	6%	3%

- ◆ **If, for some reason, the Knik Arm Bridge isn't built in the near future, approximately four out of five Alaskans (79%) believe it should continue to be included in the region's long-range transportation plan.**

<u>Question:</u>	<u>Answer:</u>	<u>Statewide</u>	<u>Anchorage/ Mat-Su</u>
"Regardless of whether or not you support building the Knik Arm Bridge at the present time, do you feel it should or should not continue to be included in Southcentral Alaska's long-range transportation plan?"	Should	79%	79%
	Should not	18%	20%
	Unsure	3%	1%

Final statewide research results will be available January 28, 2011.



**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 35th 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**

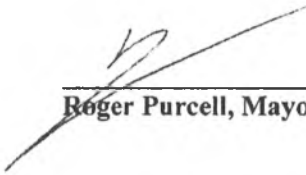
- provides \$1.2 billion additional local tax receipts,
- provides \$1.4 billion additional O&M and Capital expenditures,
- produces an estimated savings of \$95 million per year public travel in the first year alone,
- avoids an 80,000+ metric tons of carbon emissions in the first year,
- generates 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 12th day of February, 2009.

THE CITY OF HOUSTON, ALASKA



Roger Purcell, Mayor

ATTEST:



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



FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
 Bill Version HB 158
 () Publish Date 3/9/2011

HB158-DOT-CO-02-13-11
 Title Knik Arm Bridge and Toll Authority
 Sponsor Representative Neuman
 Requester (H)TRANS
 Dept. Affected DOTPF
 Appropriation Design, Engineering & Construction
 Allocation Knik Arm Bridge & Toll Authority
 OMB Component Number 2715

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES								
---------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

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

Initial version

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

Phone 465-4772
 Date/Time 3/9/11 PM
 Date 3/9/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 158

Analysis

The DOT 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.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 11, 2011

SUBJECT: Financial obligation of the state under language in HB 158
(Work Order No. 27-LS0431\M)

TO: Representative Eric Feige
Attn: Michael Paschall

FROM: Brian J. Kane **BJK**
Legislative Counsel

You have asked the following regarding HB 158: What is the state's financial obligation regarding the agreements entered into by the Knik Arm Bridge and Toll Authority ("authority")? When does the state assume the risk, or when are the state's assets at risk?

The state has no financial obligation or risk regarding the agreements entered into by the authority. The language in question, found in sec. 1 of the bill, reads:

(B) entering into public-private partnerships or service contracts in any form; **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;**

As the paragraph states, satisfaction of monetary obligations is subject to appropriation. If the authority cannot pay its obligations under an agreement, the legislature has the option to appropriate money to the authority to fulfill the agreement or to not appropriate any money. In fact, this is the case even without the added language. This language does not add any extra obligation on the state to pay for any monetary shortcoming the authority has in any agreements. It could not, because art. IX, sec. 8 of the state constitution limits state debts to those approved by the voters (with certain exceptions not relevant here). If a person sued the authority on the basis of lack of payment for a contract, the person could not reach any assets beyond the assets of the authority.

If I may be of further assistance, please advise.

BJK:plm
11-136.plm

STATE OF ALASKA

KNIK ARM BRIDGE AND TOLL AUTHORITY

SEAN PARNELL, GOVERNOR

550 West 7th Ave, Suite 1850
Anchorage, Alaska 99501
Phone: (907) 269-6698
FAX: (907) 269-6697
www.knikarmbridge.com

March 1, 2011

Mr. Duane Callender, Project Finance Coordinator
TIFIA Credit Program (HCFT-1)
US Department of Transportation
Room E64-301
1200 New Jersey Avenue, S.E.
Washington, DC 20590

Dear Mr. Callender,

On behalf of the Knik Arm Bridge and Toll Authority (KABATA), I am pleased to submit to the TIFIA Credit Program a Letter of Interest (LOI) to obtain TIFIA Credit for the Knik Arm Crossing Project (Project). The Project will provide substantial economic, social, and environmental benefits while supporting sustainable and livable communities for generations of citizens. TIFIA credit will accelerate the Project and the benefits it promises and help to keep tolls affordable for the public.

The Project has achieved several key milestones over the last few months. The National Marine Fisheries Service issued a biological opinion that the bridge would not jeopardize the Cook Inlet stock of beluga whales on November 30, 2010, followed by FHWA signing a "build" Record of Decision on December 15, 2010. These actions place the Project in position to close on TIFIA Credit and begin construction under a public-private partnership by 2012. KABATA is prepared to submit a full application promptly to achieve our schedule.

The Alaska Legislature is considering several bills to enhance the Project credit profile and appropriate funds for a Project reserve account. We believe that the pending legislation places the Project in a strong position to pay for up to 100 percent of the TIFIA credit subsidy, preserving scarce TIFIA budget authority for other essential projects around the country, as discussed in more detail in the LOI.

KABATA, the State of Alaska, and I all look forward to the results of the evaluation of the submitted LOIs and are confident that the Knik Arm Crossing Project rates very highly on all of the scoring criteria. We are providing exhibits and other relevant documents supporting the LOI at www.knikarmbridge.com/TIFIA.html due to their voluminous nature. Please contact me or Mr. Hemenway, our CFO, directly if the TIFIA JPO needs any other information about the Project.

Sincerely,



Andrew J. Niemiec
Executive Director

cc: David C. Miller, Alaska Division, FHWA
Marc A. Luiken, Commissioner, ADOT&PF
Michael L. Foster, Chairman, KABATA



Because demand for the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program exceeds budgetary resources, the DOT is utilizing periodic fixed-date solicitations to establish a competitive group of projects to be evaluated against program objectives. Applicants must prepare a Letter of Interest using the format provided below.

Letters of Interest being submitted for this funding cycle are due by 4:30 p.m. ET on March 1, 2011. The total narrative for this letter should not exceed 20 pages, excluding any exhibits.

Only competitive projects identified at the Letter of Interest stage will be considered and invited to submit a formal application. As such, this Letter of Interest format incorporates information related to the project's satisfaction of the statutory evaluation criteria, as detailed in the January 2011 Federal Register notice and summarized below. Please reference the Notice of Funding Availability published in the Federal Register in January 2011 and the TIFIA Program Guide for guidance on the TIFIA evaluation criteria and the application process.

After concluding its review of the Letters of Interest, the DOT will invite complete applications (including the Executive Summary, preliminary rating opinion letter and detailed plan of finance) for the highest-rated projects. The application due date will be established after consultation between the TIFIA JPO and the applicant. By submitting this Letter of Interest, the applicant certifies that if selected to submit a formal application and enter negotiations, the applicant will pay the required fees.

If you have any questions regarding completing this form, please contact Duane Callender at (202) 366-9644. Please complete all applicable information using this Letter of Interest form and attach this request via email to TIFIAcredit@dot.gov by 4:30 p.m. ET on March 1, 2011. Other than the changes to this introductory section and the addition of the certification language at the end, no other revisions to the Letter of Interest form have been made since the December 2009 version was issued.

A) Project Description. Describe the project, including its location, purpose, design features, estimated capital cost, and development schedule.

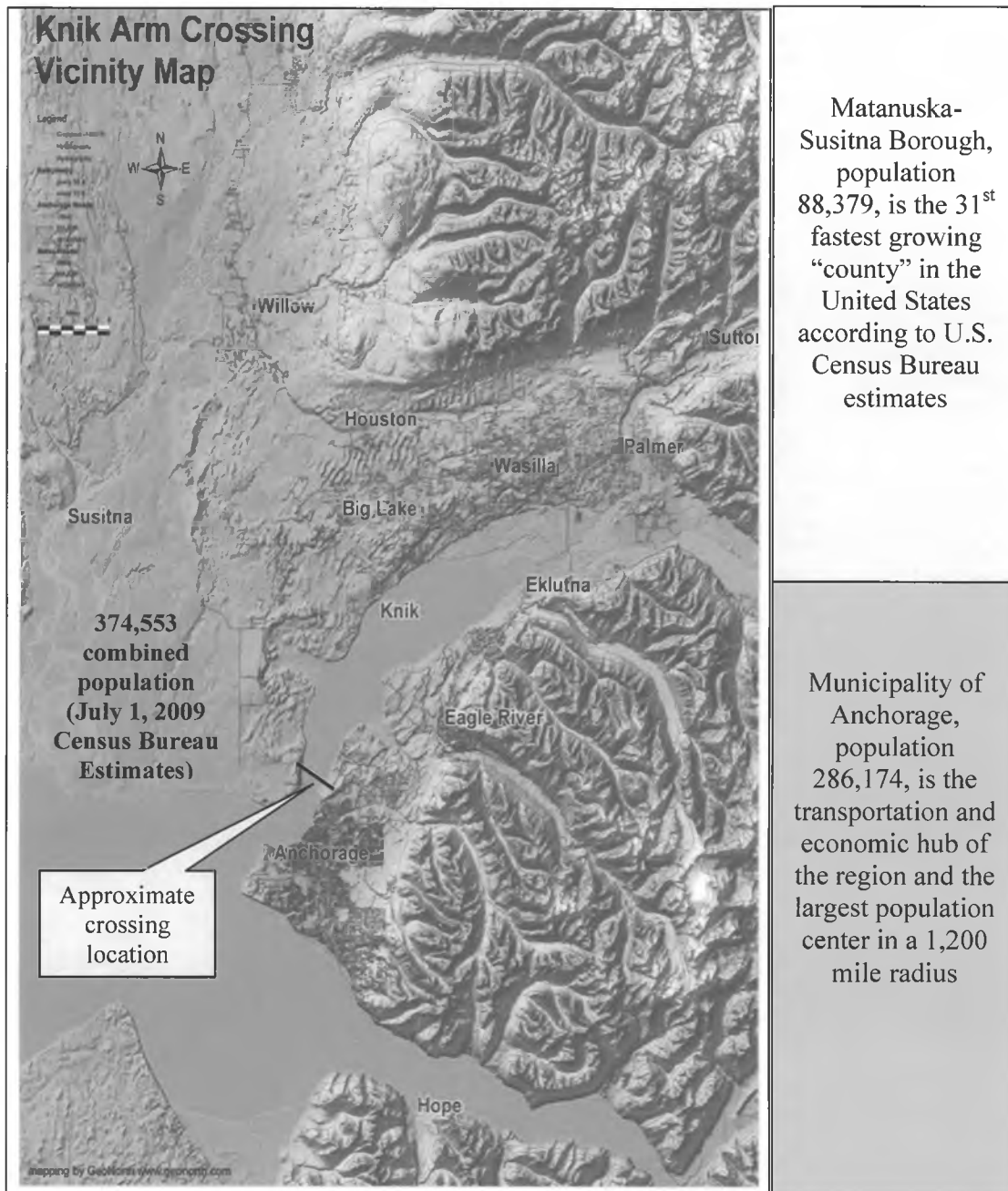
In 2003, the Alaska Legislature established the Knik Arm Bridge and Toll Authority (KABATA) as a public corporation and an instrumentality of the State of Alaska within the Alaska Department of Transportation and Public Facilities (ADOT&PF). The specific purpose of KABATA is "... to develop, stimulate, 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 the Matanuska-Susitna Borough" (Alaska Statutes § 19.75 [AS § 19.75]). The Federal Highway Administration has designated the project the Knik Arm Crossing (Project).

The Project will: (i) improve regional transportation infrastructure to meet existing and projected population growth; (ii) facilitate locally adopted economic development, land use, and transportation plans in a manner providing for more sustainable, smart growth over current patterns; (iii) enhance regional transportation connectivity for the movement of people and freight to, from, and between the Municipality of Anchorage, the Mat-Su Borough, and Interior Alaska; (iv) establish both safety and transportation system redundancy for alternative travel routing and access between regional airports, ports and hospitals, while integrating fire, police, and disaster relief services for emergency response and evacuation; and (v) promote and ensure the quality of life of the citizens in the region and the State of Alaska.

The Project will beneficially affect the pattern of future growth that is coming to the Mat-Su Borough, substantially reducing vehicle miles traveled (VMT), vehicle hours traveled (VHT), fuel consumption, air quality impacts, greenhouse gas emissions, and congestion. EPA's endorsed planning software, PlanBuilder, with applied smart growth principles, indicates that the Project would reduce the environmental impacts of projected population growth in the Mat-Su compared to that of a "no-build" alternative; largely because the Project shifts growth closer to Anchorage. It is a smarter way to accommodate continued growth in the region by promoting urban infill. The result will be a more livable, sustainable and environmentally friendly community than if this Project is not built.



The Project Vicinity Map depicts the relationship of the Mat-Su Borough and Municipality of Anchorage areas and the approximate location of the proposed toll bridge crossing. Additional maps showing the Project vicinity, transportation network, and Project alignment are also provided on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html.



The Project improvements include a minimum 8,200 foot toll bridge and approximately 18 miles of two lane approach and connector roads and associated facilities, including an approximately 800 foot cut-and-cover tunnel on the Anchorage side of the bridge. The bridge will cross the Knik Arm of Upper Cook Inlet, connecting Anchorage, the largest city in Alaska, and the Mat-Su, the 31st fastest growing county in the U.S. The Project will be designed to NHS Standards. Future construction will expand capacity to four lanes. A bicycle and pedestrian path enhances livability benefits for the surrounding communities by providing better access to recreational opportunities in the area. These improvements promote



transit development and connectivity throughout the region by creating an opportunity for new and more efficient bus transit routes between Anchorage and the Mat-Su.

The Project construction cost has been developed and reviewed under several engineering studies including a 35% design estimate by two separate independent engineering firms and the FHWA Major Projects team in February 2009. Costs were confirmed by a constructability review by marine construction experts and a contractor style estimate in 2010. Escalated to year of expenditure dollars, the Project construction cost is estimated at \$716 million, including the cost of engineering, project management and Right-of-Way (ROW) acquisition and exclusive of development phase cost, capitalized interest, debt issue costs, required debt service reserves and the cost to upgrade 9.5 miles of roadway completed in 2009 at a cost of \$15 million using State of Alaska funds. See the webpage for this LOI at www.knikarmbridge.com/TIFIA.html for additional project cost information.

The Project has been designated by Congress as a project of national significance under SAFETEA-LU (Public Law 109-59, § 1302). Recent Alaska Governors, including the current Governor Sean Parnell, have expressed their support for the Project, as has the Alaska Congressional delegation. Regional Mayors, City Councils and Assemblies have voiced strong support for the Project. A survey conducted in January 2011 confirms strong support for the Project by Alaskans, with 64% of regional residents and 60% statewide supporting construction of the Project as early as possible. Letters and expressions of support and the complete survey results are provided on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html.

The Project is in the regional Long-Range Transportation Plan (LRTP) and Transportation Improvement Plan (TIP) of the Anchorage MPO. The Project has been reviewed and approved for air quality conformance by the FHWA and the FTA. The Project is also in the State Transportation Improvement Plan (STIP). The State Legislature has expressed its support through enabling legislation under AS 19.75 and the appropriation of \$129 million in state and federal funding for the Project, including \$105 million of Title 23 funding. \$54.7 million has been invested in development phase activities as of January 31, 2011. The State Legislature is presently considering a \$150 million appropriations bill and a bill amending AS 19.75 to enhance the Project credit. (See HB158 and HB159, and SB79 and SB80 and track them on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html.) A further description of this proposed legislation is provided below in Section F.

The Project achieved two major project milestones in the last three months. On November 30, 2010, the National Marine Fisheries Service issued a Biological Opinion indicating that construction of the Project would not likely jeopardize the Cook Inlet stock of beluga whales and on December 15, 2010 the FHWA issued a build Record of Decision (ROD).

Most of the Project ROW is owned by public entities, including the State of Alaska, the Mat-Su Borough, the Municipality of Anchorage, the University of Alaska, the Bureau of Land Management and the U.S. Department of Defense (DOD). The remaining portion, representing approximately 1% of the necessary Project ROW, is owned by private parties. Of these private takes, only 3 involve residential structures. KABATA expects to acquire the Project ROW prior to award of a Public-Private Agreement (PPA).

KABATA has engaged all required permitting agencies and believes all major preconstruction environmental permits will be secured prior to award of the PPA. A table listing the major permits for the Project is provided on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html.

KABATA initiated procurement of a private partner for the design, construction, finance, operations and maintenance of the Project by soliciting Statements of Qualifications on December 13, 2006. Two international consortia led by Macquarie and Bouygues Travaux were shortlisted. The positive evolution of the Project development since then, most notably receipt of the ROD and a no jeopardy biological opinion regarding the Cook Inlet beluga whales, will heighten the interest of the private sector. In addition, modifying the transaction structure to an availability payment form of public-private partnership (P3) will invigorate competition, attract better financing terms, and deliver the best value to the State. Therefore, KABATA anticipates commencing a new procurement in spring of 2011, with award of a PPA, completion of negotiations and commercial and financial close as early as the 2nd quarter of 2012 and construction beginning as early as summer of 2012. Execution of the TIFIA Credit Agreement will occur concurrently with financial close. Construction is estimated to require 3-5 years to complete and the facility could be operational by 2015.



The following table indicates the anticipated Project procurement timeline and PPA milestones:

ACTIVITY	TENTATIVE SCHEDULE
Issue RFQ	June 2011
SOQs Due	July 2011
Shortlist Proposers	August 2011
Industry Review	August 2011 – October 2011
Issue Final RFP	October 2011
Proposals Due	March 2012
Selection of Private Partner (Project Award)	April 2012
Negotiations	April 2012 – May 2012
Commercial Close	May 2012
Financial Close	July 2012
Facility Open for Traffic	2015/2016

B) *Project Participants.* Describe the overall organizational structure for the project. What entity (i.e., public-sector agency/authority or private-sector company) will serve as the applicant? Will the applicant and the borrower be the same entity? Who are the members of the project team?

Name of Applicant/Borrower:

KABATA, as Project owner, will be the Applicant and expects to file the TIFIA loan application under the terms of a previously executed SEP-15 Early Development Agreement (EDA) dated July 19, 2007 among ADOT&PF, KABATA and FHWA.¹ The EDA is available on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html. The Project will be procured as a P3 through an availability payment concession. The private partner consortium selected through the procurement process will be the Borrower and shall design, build, finance, operate and maintain the Project over the term of the PPA.

Organizational Structure:

Additional information about the legal structure and team members of the private partner consortia will be provided to the TIFIA JPO during the procurement and credit application process as outlined in the EDA. KABATA has also engaged an industry leading team of legal, financial and technical advisors to support its efforts in applying for TIFIA credit and to support the PPA procurement process. That team presently consists of the following firms:

- | | |
|----------------------------------|--|
| a. Bond Counsel - | Ballard Spahr, LLP |
| b. P3 Counsel - | Nossaman, LLP |
| c. Authority Counsel - | State of Alaska Department of Law |
| d. P3 Financial Advisor - | Citigroup Global Markets Inc. ("Citi") |
| e. Technical Advisor - | HDR, Inc. |
| f. P3 Advisor/T & R Consultant - | Wilbur Smith Associates |

The ADOT&PF and the FHWA are also active project participants representing the public sector.

Project Website or Applicant/Borrower Website:

www.knikarmbridge.com (see also ADOT&PF's website at <http://www.dot.state.ak.us/> and the TIFIA LOI webpage for the Project, including all exhibits, at www.knikarmbridge.com/TIFIA.html).

¹ For purposes of this LOI, KABATA assumes that the SEP-15 EDA represents the terms and conditions by which the TIFIA JPO will process the application, credit approval and loan documentation. KABATA is open to discussion of any modifications to this process that the TIFIA JPO desires to conform to its current procedures.



C) Proposed Financing. Describe the plan of finance. State the proposed sources and uses of funds for the project, including the type and the amount of credit assistance sought from DOT. Identify the source(s) of revenue or other security that would be pledged to the TIFIA credit instrument. Address the status of any revenue feasibility study.

Sources and Uses of Funds:

Financing for the Project will be achieved through an availability payment concession, whereby the private partner will design, build, finance, operate and maintain the Project under a concession of approximately 35 years after substantial completion in exchange for availability payments from KABATA. The availability payments will be paid from a Project reserve fund that will hold toll revenues as well as any appropriated funds. The Project reserve fund will set forth minimum reserve requirements that, if not met, will trigger a request for appropriation from the State of Alaska (See HB158 and HB159, and SB79 and SB80 on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html). The tolls will be collected either by the private partner or another provider on behalf of KABATA and the State of Alaska. The concession will include one or more milestone payments at or after substantial completion of Project construction or Project construction phases, which the private partner may use to reduce outstanding debt. KABATA shall set toll rates.

The following represents the proposed sources and uses of funds under the pro forma plan of finance, including the potential TIFIA loan:

Pro Forma Sources and Uses of Funds				
	Available	Anticipated	Total	Percent
Sources of Funds:				
Tax-exempt Bonds	\$ -	\$ 396,951,847	\$ 396,951,847	36.9%
TIFIA Loan	-	306,019,062	306,019,062	28.4%
Private Partner Equity	-	78,605,917	78,605,917	7.3%
Federal Highway Funds	112,572,342	-	112,572,342	10.5%
State Matching Funds	17,324,917	-	17,324,917	1.6%
State Commerce Grant	15,000,000	-	15,000,000	1.4%
State Reserve Appropriation	-	150,000,000	150,000,000	13.9%
Total Sources of Funds	\$ 144,897,259	\$ 931,576,826	\$ 1,076,474,085	100.0%
Uses of Funds:				
Deposit to Construction Fund	\$ 62,495,013	\$ 650,698,937	\$ 713,193,950	66.3%
Port MacKenzie Road Upgrade	15,000,000	-	15,000,000	1.4%
KABATA Development Costs	67,402,246	-	67,402,246	6.3%
Upfront Payment to TIFIA	-	10,000,000	10,000,000	0.9%
Deposit to State Reserve Fund	-	150,000,000	150,000,000	13.9%
Deposit to Capitalized Interest Fund	-	66,277,301	66,277,301	6.2%
Deposit to Prepaid Interest Fund	-	1,105,300	1,105,300	0.1%
Debt Service Reserve Fund	-	39,695,185	39,695,185	3.7%
Cost of Issuance	-	8,689,037	8,689,037	0.8%
Underwriter's Discount	-	1,984,759	1,984,759	0.2%
Other Transaction Costs	-	3,126,307	3,126,307	0.3%
Total Uses of Funds	\$ 144,897,259	\$ 931,576,826	\$ 1,076,474,085	100.0%

As identified in the table above, the pro forma plan of finance anticipates the use of multiple financing sources to fund the Project's hard and soft costs. The financing sources envisioned include tax-exempt bonds, tax-exempt Private Activity Bonds (PABs), TIFIA, public funding (both Title 23 and state government sources) and private partner equity. The tax-exempt bonds will consist primarily of current interest bonds with some capital appreciation bonds. Equity approximating 10% of the Project's private financing will be fully committed at closing by the private partner, in addition to Title 23 and state funds previously appropriated for the Project by the Alaska Legislature and a \$150 million state appropriation currently being considered by the Alaska Legislature under HB159 and SB79. This financing structure is consistent with the recent availability payment financings completed in the United States, such as the Presidio Parkway, I-595 Corridor Roadway, Port of Miami Tunnel, and Denver Transit Partners Eagle P3 projects. The comprehensive pro forma plan of finance is provided on the webpage for this LOI at www.knikarmbridge.com/TIFIA.html.



The pro form plan of finance includes use of non-federal Project funding sources to pay at least \$10 million, and potentially up to 100%, of the subsidy for the TIFIA credit in lieu of using the USDOT's scarce TIFIA budget authority. For more information, see discussion under *Budget Authority* at page 17 below.

Type of Credit Assistance:

A secured (direct) loan, subordinate to senior project debt, to assist with funding costs associated with the Project and (potentially) a standby line of credit to assist with funding project costs and capital cost overruns.

Amount:

The amount of requested TIFIA credit assistance is \$306 million based on 33% of estimated Eligible Project Costs.

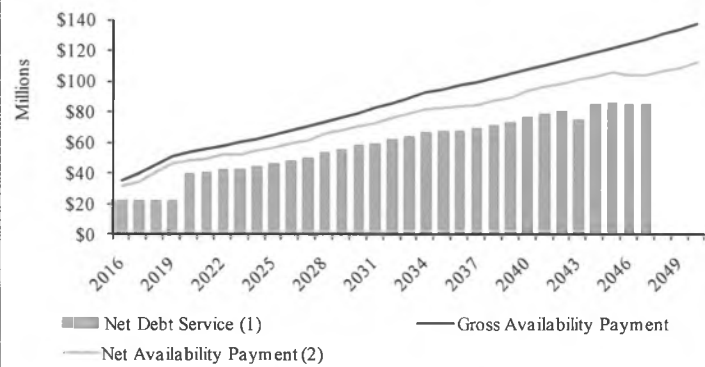
Description of Revenue Source(s) Pledged to Repayment:

The main source of revenue from the Project is tolls. A traffic and toll revenue feasibility study for the Project was prepared by Wilbur Smith Associates (WSA) and updated in February 2011. That study predicts traffic demand and revenue potential and identifies the essentiality of the Project for Alaska.

The Alaska Legislature is considering amendments to KABATA's enabling statute (SB80 and HB158) and a \$150 million appropriation for the Project reserve fund (SB79 and HB159) to support the milestone and availability payments.

Payment of Project debt (including the TIFIA loan and the tax-exempt bonds) will be secured by the milestone and availability payments through a Project reserve fund established by KABATA. All toll revenue, plus any state appropriations, will be deposited in the Project reserve fund. The disbursement of the milestone payment(s) will be subject to successful completion of the Project or specified Project construction phases. The disbursement of the availability payments will be subject to successful completion of construction and opening of the Project. The payments will be subject to reduction for failure to achieve specific performance standards. The TIFIA loan and other secured debt will be payable from the availability payments, net of administration, operations and maintenance, tolling and renewal capital costs. The Debt Service and Availability Payments chart above provides a graphic depiction of the projected debt service and availability payment structure for the Project.

Debt Service and Availability Payments



(1) Tax-exempt and TIFIA debt service, net of effect of debt service reserve fund release
(2) Net of operation, maintenance, tolling and capital expenditure expenses

D) Satisfaction of TIFIA Selection Criteria. Describe the potential benefits to be achieved through the use of a TIFIA credit instrument with respect to the TIFIA selection criteria, as clarified.

Significance (also address issues related to the Project's impact on: livability (providing transportation options linked with housing and commercial development to improve the economic opportunities/quality of life in U.S. communities); economic competitiveness (improving the long-term efficiency and reliability in the movement of people and goods); and safety (improving the safety of U.S. transportation facilities and systems and the communities and populations they impact.)

The Project will further the development of the transportation network in the Upper Cook Inlet region by providing new surface transportation connectivity between Anchorage and the Mat-Su Borough for a safer and more efficient movement of people and freight. Thus, the Project when completed will dramatically improve the quality of life throughout the region. A summary of the Project's objectives is found in Section A on page 1.



Communities Connected by the Project

Together, Anchorage and the Mat-Su comprise the Anchorage Metropolitan Statistical Area (Anchorage MSA), which represents 54% of the population of Alaska – a statistic that has continued to climb as the area population is growing faster than the rest of Alaska.

Anchorage, population 286,174 (U.S. Census Bureau July 2009 population estimates), is the largest city in a 1,200 mile radius and the economic, commercial and transportation hub for the State of Alaska with its multimodal airports, sea ports, rail, and pipeline facilities. The financial, energy, educational, medical, and military headquarters for the State reside in Anchorage.

The Mat-Su Borough, population 88,379, is the 31st fastest growing county in the U.S. this past decade (U.S. Census Bureau July 2009 population estimates). This rapid population growth has been spurred by the diverse and growing regional economy and the shortage of residential housing and undeveloped land in Anchorage compared to the abundance of housing and land in the Mat-Su. Historically, most of the population growth has settled in the Palmer-Wasilla corridor along the Parks and Glenn Highways. The Palmer-Wasilla corridor is the first available land north of Anchorage via the existing Glenn Highway. This single highway is the only existing route to and from Anchorage to the north.

In more recent years, as the population density in the Palmer-Wasilla corridor increased, the west side of Knik Arm in the Knik-Fairview area of the Mat-Su has replaced them as the fastest growing area of the State. As a result of this natural growth pattern, Glenn Highway commuters experience frequent congestion and closures during accidents and winter storms. On average, Mat-Su commuters drive over 50 miles each way, burning excessive fossil fuels and spending considerable time travelling. The limited transportation network has resulted in detrimental impacts on emergency services, the environment, and quality of life, while increasing urban sprawl and dependence on fossil fuels.

Just across Knik Arm lies land closer to Anchorage that the Project makes accessible for smart growth of residential and commercial use. The Project also provides better and safer access to the State's resource base, including the Prudhoe Bay oil and gas fields, base and rare-earth metals important to the green economy, the Goose Creek Correctional Center, and agricultural lands. Numerous commercial and industrial projects are planned for the Mat-Su Borough. They will support jobs and commerce for generations of citizens. The Project will facilitate these new economic opportunities.

The growth in the Mat-Su will continue regardless of whether the Project is built. Absent the Project, this organic growth would lead to increased traffic levels on the Glenn Highway which lowers the quality of life and sustainability of the communities which are growing in the Mat-Su. The Project will facilitate an orderly, well planned, growth pattern within the Mat-Su which will create more sustainable communities and minimize urban sprawl and its adverse environmental impacts.

Transportation Network and Project Intermodal Connectivity

The Project will integrate with the regional transportation network, including highways, ports, airports and rail, in order to support domestic and international commerce, improve the economic competitiveness of the United States, and improve the efficiency and reliability of the movement of people and freight in the region. FHWA designated the Project as part of the National Highway System. It will connect to the Glenn and Seward Highways in Anchorage and the Parks Highway in the Mat-Su. It also connects into the Strategic Highway Network (STRAHNET) to support the DOD mission and national security. The Project will be only the second road link between Anchorage and the rest of the State.

The Anchorage MSA is an important air and sea freight port for both Alaska and the United States because of its strategic location, both within the State and relative to North America, Asia and Europe. The Port of Anchorage (POA) is located one mile south of the eastern shore of the Project crossing. Due to limited road access and Alaska's distance from other North American markets, very little freight arrives via road. Since there are no rail lines between Alaska and the rest of North America, nearly all freight destined for Alaska arrives via ship, with approximately 90% of container freight arriving at the POA (which serves 85% of Alaska residents). Much of that freight is destined for the Mat-Su, Fairbanks, the Interior and the North Slope. The POA is currently undergoing an approximately \$700 million expansion to handle increasing freight volumes that will double the POA area. The POA also supports the U.S. military mission and has been named one of 19 strategic seaports in the U.S. by the DOD. The Project will provide a much more efficient and direct route for freight originating in the POA and destined for points north for consumers, commercial and governmental interests. The more direct northbound route will improve the efficiency and reliability of the movement of people and freight in the region and significantly reduce transportation costs. Within Anchorage, the Project will provide an alternative route for the substantial



freight traffic originating at the POA which otherwise must utilize city streets to access the Glenn Highway. This preserves pavement, reduces congestion and harmful vehicle emissions, and enhances safety and commute times for both residents and truckers.

Port MacKenzie, the nation's northernmost deepwater port, is located on the west side of the Project. Via the existing road network Port MacKenzie is approximately 85 miles from downtown Anchorage and the POA. However, the Project would reduce that distance to only three miles. Port MacKenzie is a strategic port that will serve future economic development in both the local area and the Interior. It is designed to export bulk commodities such as base and rare earth mineral ores, coal, woodchips, and gravel and to import bulk materials such as cement and steel pipe. The Port of McKenzie Industrial District contains 8,940 acres and is the logical area for expansion of port related economic development. The Project provides intermodal connectivity between Port MacKenzie and the POA and provides access to labor resources in Anchorage just minutes away.

Because of its strategic location within nine hours of 95% of the industrialized world, the Ted Stevens Anchorage International Airport (TSAIA) is the largest air cargo hub in the United States in terms of landed tonnage and is the sixth largest freight airport in the world for total throughput. An estimated 90% of air cargo between Asia and North America passes through the TSAIA. Atlas Air, Federal Express, Northwest Cargo, United Parcel Service, and the U.S. Postal Service have established international cargo sorting hubs at TSAIA because of the accessibility of U.S. Customs agents in dedicated foreign trade zones. The TSAIA also serves as the primary point of entry and departure for business and recreational passenger air travel to and from Alaska, with over 5 million arriving, departing and transiting passengers annually. The TSAIA supports approximately 18,000 jobs in the region and is located six miles south of the Project, which will provide an important and much improved link between the region's most important airport and points north.

The Alaska Railroad Corporation (ARRC) is headquartered in Anchorage and its main rail yard is adjacent to the POA and the Project. The ARRC carries both passengers and freight between Seward, to the South, and Fairbanks, to the north. ARRC passenger ridership was 470,786 and it carried 6.16 million tons of freight during 2009. The Surface Transportation Board, on behalf of the ARRC and Mat-Su Borough, is studying a rail spur line to Port MacKenzie on the west side of the Project crossing and has published a draft EIS. The Project will serve as the vital intermodal link between the two rail yards and seaports.

There are a number of other regional transportation projects planned or underway that will connect with the Project. The ADOT&PF is evaluating alternatives to provide a second major arterial connecting to the west side of the Project. The Alaska Legislature has funded an EIS to develop a rail transportation corridor between Willow or Houston, Alaska, Port MacKenzie and the Project (during the 2010 legislative session it approved \$35 million of State funds to construct a portion of the rail extension, complete engineering and acquire ROW). The Legislature has also approved \$300 million of bonding authority for the ARRC to construct the rail line and the governor has submitted an additional \$20 million of funding for the rail extension in his 2011 capital budget. The Mat-Su Borough has reserved ROW on all Borough owned lands along the planned corridor. The planned corridors will provide a more direct route for the movement of people and freight between Anchorage, Denali National Park, Fairbanks and Interior Alaska, and the North Slope.

Livability Attributes of the Knik Arm Crossing

The Knik Arm Bridge has significant positive benefits relating to livability for both the Anchorage and the Mat-Su Boroughs. These include quantifiable benefits such as reduced VMT, reduced VHT and travel times, potential transit opportunities and better recreational access, as well as qualitative benefits related to quality of life in the community. Enhanced regional mobility, provided by the Project, will open employment, recreational, and social opportunities for the region's residents that would not be practical or even feasible without the Project.

Under all expectations and projections, substantial growth and development of the Mat-Su Borough will continue. In the face of this growth and development, the question becomes where will it go and can it be directed in a smarter, environmentally sensitive, affordable, livable and sustainable way. The Project is a key ingredient in redirecting growth to meet these objectives.

Anchorage 2020, a comprehensive long-range plan by the Anchorage Planning and Zoning Commission, states that the single biggest issue facing Anchorage is the shortage of residential, commercial and industrial land to support the growth of the community. Due to the geography of the region and the governmental land uses that surround Anchorage, the amount of remaining developable land to accommodate the Anchorage area's growing population is very limited. Land uses that are



not developable include military installations that are critical to the area's economy and national security, and mountains, parks and wetlands that are essential to maintaining the environment. The lack of developable land has led to significant increases in land cost that threaten the area's ability to offer livable communities at affordable prices. Because of its land shortage, the average new single family home in Anchorage is about \$140,000 more than a similar home in the Mat-Su and rents are also correspondingly higher.

Due to this shortage of housing and the high housing prices in Anchorage, many in the regional work force live in more affordable Mat-Su communities and drive to higher wage Anchorage jobs. More than 40% of the Mat-Su workforce commutes an average of about 50 miles one-way to or through Anchorage for work. Because of the Project, working families will no longer have to choose between affordable housing and long commutes, or excessively expensive housing closer to good jobs.

The Project's beneficial impact on the pattern of this future growth and livability is dramatic. The Project reduces VMT while simultaneously supporting population and economic growth in the region. The statistics on VMT reduction are set forth in the Environmental Benefits from VMT Reduction section, below. This reduction is particularly important and impressive in light of the forecast population growth of 150,000 to 250,000 by 2030, or about a 50% increase in the population of the Anchorage MSA.

Other cost savings can also be quantified. Based on benefit cost analysis studies and studies of the reductions in carbon emissions performed by WSA for KABATA, the Project will reduce VMT and save \$30,900,000 in vehicle operating costs in the opening year rising to \$43,200,000 in year 10. If fixed costs were also included, these savings would increase by a factor of three.

These same studies show that VHT for trips that are able to use the Project instead of existing routes are also significantly reduced. Annual savings in the opening year total 5,111,000 hours and in year 10, 7,296,000 hours. A fleet average value of time of \$0.22 per minute or \$13.20 per hour was reported in the *Proposed Knik Arm Bridge Final Traffic and Revenue Forecast*, produced in September of 2007. Using this value, the reduced VHT quantifies to \$67,470,000 in opening year and \$96,310,000 in year 10 (constant dollars).

The Project will further enhance livability by supporting opportunities for improvements to the Municipality of Anchorage People Mover bus transit system which currently carries an average of over 14,000 riders daily during weekdays and averaged 11,463 riders per day during 2009. The main bus terminal for the People Mover system is located within one-mile of the south eastern terminus of the Project and provides commuter parking for the intermodal bus terminal facility. The Project has the potential to significantly increase transit ridership from the present municipal system to a larger regional network by extending route coverage to the Mat-Su. This will not only provide the traveling public with expanded commute choices, but will give low income commuters an affordable option. In order to keep fares both attractive and affordable, KABATA is considering the potential for reduced tolls or free access for use of the facility by transit buses. Without the Project, it is very unlikely that the Anchorage bus transit system could effectively or economically be expanded to the Mat Su area as a regional provider.

The Municipality of Anchorage boasts an award-winning trail system citywide. Enthusiasts of skiing, running, biking, walking, horseback riding, hiking, rollerblading, dog mushing, snowshoeing and skijoring all enjoy the trail system. The Project's multi-use bicycle and pedestrian path will connect into Anchorage's extensive trail network, providing trail users access to the southern Mat-Su Borough. The Project's multi-use path is included in the *Anchorage Bicycle Plan* adopted by the Anchorage MPO in March 2010. In addition, the Project will make excellent recreational activities in the areas north and west of the Knik Arm far easier to reach for residents and for Alaska's many tourists.

While it is possible to quantify many of the livability benefits of the Project, some of the most important benefits can only be related in qualitative terms. Reducing the VMT means less time spent in automobiles. This provides several benefits, including increased time for other activities, improved air quality, and safer streets. Saving 10 minutes per commute frees up 86 hours of time each year. The value of time saved is not just a number, it directly relates to families and their quality of life.

Economic Benefits Enabled by the Project

In addition to the economic benefits for Anchorage and the Mat-Su described below, most of rural Alaska is experiencing significant unemployment (see the Statewide unemployment map on the website for this LOI at



www.knikarmbridge.com/TIFIA.html). By lowering the cost of transportation for people and freight and promoting access to good jobs for thousands of Alaskans in economically distressed regions of the State, including many Native Alaskans, the Project is expected to benefit numerous residents and areas outside of the Anchorage and Mat-Su Boroughs.

Based on a study by Insight Research Corporation (IRC) of socio-economic impacts, the Project will generate immediate and lasting economic benefits to the region as a result of the more efficient transportation network. These benefits include access to developable land for commercial, industrial and residential uses and operating efficiencies availed to Port MacKenzie for bulk commodities import and export. Those economic benefits will extend throughout the State. Among other projections cited in the study, IRC found that the first 23 years of Project operations would likely:

- Generate 5,000 construction related jobs and 3,000 indirect jobs during Project construction.
- Enable 14,000 additional permanent direct and indirect jobs in the region
- Support \$18 billion of incremental economic activity.
- Produce \$1.2 billion of tax increment to local governments to fund schools, public safety and infrastructure for the growing population.

Since the Project is designed for a 100 year life, these economic benefits will accrue to many generations of citizens. For further information about the immediate and lasting economic and job benefits enabled by the Project, please review the IRC socio-economic study on the website for this LOI at www.knikarmbridge.com/TIFIA.html.

The IRC study results are consistent with the benefit-cost study prepared for the Project by WSA. Both studies confirm the Project's essential nature. The calculated benefit-cost ratio is 5.36 and 3.54 assuming a 3% and 7% discount rate, respectively, as summarized in the following table. The full benefit- cost analysis is available on the LOI website, www.knikarmbridge.com/TIFIA.html.

Benefit-Cost Ratio Summary (26 Year Period)			
Parameter	Undiscounted	3% Discount Rate	7% Discount Rate
Analysis Period Benefit	\$ 9,768,812,274	\$ 5,268,838,067	\$ 1,850,746,463
Analysis Period Cost	\$ 1,307,275,851	\$ 983,840,588	\$ 729,651,953
Net Benefit	\$ 8,461,536,423	\$ 4,284,997,479	\$ 1,121,094,510
Benefit-Cost Ratio	7.47	5.36	3.54

Source: Wilbur Smith Associates based on STEAM 2.0 analysis.

Safety and National Defense

The Project will significantly improve safety and reduce accidents in the region. The large reduction in unproductive VMT discussed above has a direct impact on safety and accident rates. Because total accidents for the overall MSA are evaluated based on total VMT, it is reasonable to determine the number of accidents avoided by the reduction in unproductive VMT. Based on per VMT rates calculated and on information presented in the August, 2010 Knik Arm Crossing Project Benefit Cost Analysis, accidents that would be expected to occur due to unproductive VMT travel is shown in the table at right. The reduction in the number of traffic fatalities is based on ADOT&PF reported 1.5 traffic fatalities per 100 million VMT. See the link to ADOT&PF's report on the LOI website at www.knikarmbridge.com/TIFIA.html.

Projected Reduction in Accidents		
	2015	2024
Annual VMT Reduction (millions)	194.4	307.0
Annual Accident Reduction (number):		
Fatal	0.5	0.9
Injuries	34.2	49.1
Property Damage Only	71.2	101.7

The Kenai Peninsula and Anchorage have only one highway ingress and egress point to the north – the Glenn Highway. Over 40% of the Mat-Su workforce commutes to or through Anchorage on a daily or periodic basis, and congestion on the Glenn Highway is straining its capacity. The Project will provide the second highway link from Anchorage and the Kenai Peninsula to the Mat-Su and points north. This is critical for safety and network redundancy. Accidents and emergencies frequently block the Glenn Highway for hours, tying up commuters and freight movement from the Port of Anchorage. In the event of a major disaster, it would be nearly impossible to evacuate over 350,000 people, or 50% of Alaska's total population, via the Glenn Highway. The Anchorage MSA lies in a subduction fault zone between the Pacific and North



American tectonic plates and is prone to a high frequency of seismic and volcanic activity. There are at least four active volcanoes on the west side of Cook Inlet in sight of Anchorage and the Kenai Peninsula. Historic events that demonstrate the probability of future natural disasters include the 1964 Good Friday Earthquake that measured 9.2 on the Richter scale and the 1912 eruption of the super volcano Novarupta across Cook Inlet, the most powerful eruption of the 20th century. Mt. Redoubt erupted 19 times during 2009, closing airspace and producing ash fall events in Anchorage and the Kenai Peninsula. The Project is being designed with these events in mind and will be an essential future evacuation route.

Anchorage is a strategic location for national defense. Approximately 13,000 troops are stationed at Elmendorf Air Force Base and Fort Richardson (U.S. Army), representing a key national defense asset for rapid deployment and support for Pacific Theater and world-wide military operations. The Project crosses the Knik Arm of Upper Cook Inlet on the west boundary of the Elmendorf Air Force Base and will tie into the STRAHNET within Alaska. The Project supports the DOD mission for deployment and supply of military operations at these two installations as well as Eielson AFB and Fort Wainwright in interior Alaska where an additional 8,000 troops are stationed.

Summary of Regional and National Significance

The integration of the Project into the existing State and national transportation infrastructure is designed to meet current and future needs for projected population growth and economic development, improved transportation connectivity for the movement of people and freight, and enhanced safety and transportation system redundancy. Implementation of the Project is essential to achieve this rapidly developing region's full economic potential.

Congress recognized the regional and national significance of the Project for the promotion of economic growth and international or interregional trade by designating funding for it as Project 14 under SAFETEA-LU. The State of Alaska also recognized the regional and national significance of the Project and included it in the STIP. The Project has been incorporated into the Anchorage MPO's LRTP and TIP. SAFETEA-LU, STIP, TIP and LRTP excerpts relevant to the Project are included on the website for this LOI at www.knikarmbridge.com/TIFIA.html. The Project is supported by the current and former Governors, key State and local officials and the Alaska Congressional Delegation. Finally, the Alaskan public strongly favors the Project, as evidenced by a 2011 comprehensive State-wide survey of attitudes about the Project, indicating that 64% of regional residents and 62% of all Alaskans support the Project and believe it should be built now.

Private Participation:

This is the first transportation project in the State of Alaska being delivered under a P3. The PPA procurement brings together the potential for a wide range of P3 innovation and forms the basis for extended private participation in delivery of the Project, using an availability payment concession. This method of delivery has proven successful for numerous transportation infrastructure projects both nationally and internationally, including the Presidio Parkway project in San Francisco, the I-595 Corridor Roadway project and the Port of Miami Tunnel in Florida, and the Denver Transit Partners Eagle P3 project, all of which include TIFIA financing in their plans of finance. The selected private partner is expected to fund, in the form of debt and equity, approximately 90% of the Project's design and construction cost. This equates to a projected \$703 million of debt (including a \$306 million TIFIA loan) and \$79 million of equity as indicated in the Sources and Uses in Section C, *Financing* of this LOI and in the pro forma plan of finance available on the website for this LOI.

The Public-Private Partnership Agreement (PPA)

The Project is being developed using a competitive procurement process to select a qualified private partner consortium for the award of a PPA to design, build, finance, operate and maintain the Project pursuant to an availability payment concession. Roles, responsibilities and risks will be clearly assigned between KABATA and the selected private partner in the PPA.

The selected private partner consortium will be responsible for financing, final design and construction, and operations and maintenance of the Project for a term of approximately 35 years after substantial completion. This allocation of design and construction responsibilities provides the flexibility for the private partner to proceed with some construction activities prior to completion of all design features, thus achieving significant cost and time savings. Additionally, in light of the long-term operations and maintenance responsibilities, the private partner has strong incentives to optimize the whole-life construction, operations, and maintenance costs of the Project. These savings, along with control over operations and maintenance activities (potentially including toll collection operations on behalf of KABATA), allows the private partner to predict costs and, together with the availability payment mechanism, secure financing.



Under the PPA, the private partner will assume all or a significant portion of the risks and responsibilities relating to:

- Project cost (beyond the fixed public investment)
- Availability payment commencement date risk
- Financing risk
- Site conditions
- Identification of utilities requiring relocation
- Interface with utility owners and providing utility relocation/adjustment services where authorized by utility owners
- Defects in design and construction
- Management and disposal of all hazardous materials encountered during the term of the PPA
- Construction permitting
- Project and systems integration
- Operations and maintenance risk
- Lifecycle costs risks.
- Handback (end of term) risks

The benefits of using the PPA approach for delivering and operating the Project include:

- No State indebtedness incurred for Project; State funding obligations consist of milestone payments upon satisfaction of stated milestones, and availability payments (subject to appropriations in the event toll revenues are insufficient)
- KABATA retains toll revenues to support availability payments and invest in other Title 23 eligible projects
- Guaranteed revenue commencement dates with potential liquidated damages for failure to achieve
- Long-stop deadline with potential termination for default for failure to commence revenue service by such deadline
- Time savings/acceleration of project delivery
- Earlier and greater cost and schedule certainty
- Quality of construction, operations and maintenance
- Innovative construction, operations and maintenance techniques
- Life-cycle approach to the Project, with performance measures, noncompliance points and availability payment reductions to help assure contractual commitments to quality operations and maintenance are met.

KABATA is using a two-step procurement process for the Project. The first step is issuance of a request for qualifications (RFQ) followed by a shortlist of proposers based on evaluation of submitted qualifications. In the second step, a request for proposals (RFP) will be issued to the shortlisted proposers and selection of the best proposal for negotiations of a PPA will be based on a methodology that determines the “best value” to KABATA and the State of Alaska. The “best value” determination will include both a financial (in terms of lowest proposed availability payment) and technical/qualitative component.

Private Partner’s Responsibilities During Design and Construction

The Project consists of Sections 1 through 9 as described in the cost estimate included the website for this LOI under Knik Arm Crossing Capital Cost Information. (Project Section 1 is included in the FEIS, but has already been constructed using State funds). Sections 2 through 5 include the bridge structure and approaches and will be operated and maintained by the private partner after construction. Project Sections 6 through 9, behind the POA and through Government Hill, will be constructed by the private partner and will be turned over to the ADOT&PF for operations and maintenance upon acceptance. The private partner will also have the obligation to design and construct certain additional improvements, potentially including design and installation of a permanent toll system. The cost to design and construct Project Sections 2-9 is \$716 million in year of expenditure dollars. The private partner will be responsible for financing all of the cost to design and construct Project Sections 2-9 not funded by the estimated \$65 million of Title 23 and state funds available for Project construction.

Private Partner’s Responsibility for Operations and Maintenance

The Project will be opened to traffic immediately upon substantial completion and satisfaction of PPA conditions. The private partner will be responsible for the operation, management, maintenance, renewal, and rehabilitation of Project Sections 2-5 and for implementation of appropriate safety compliance measures.

By committing to pre-set handback requirements at the end of the PPA term and to perform operations and maintenance for the duration of the concession term for Project Sections 2-5 in return for availability payments, the private partner in essence provides a long-term warranty of the Project. The PPA structure creates a special incentive to perform rigorous value engineering, design and construction quality control to minimize Project life-cycle costs.



KABATA will have the right to audit and monitor design, construction, operations and maintenance. The Project will be transferred to KABATA upon termination of the PPA, at no charge to KABATA, in accordance with detailed handback requirements specified in the PPA.

Private Partner Responsibility for Toll Collection System Operations and Maintenance

Either the private partner or a separate contractor retained by KABATA will operate and maintain the toll collection system for the Project. Toll rates will be set, and toll revenue will be owned, by KABATA. Toll revenue will be deposited into a Project reserve account, the primary purpose of which will be to make availability payments to the private partner. The toll collection system will incorporate open road, barrier-free electronic toll collection (ETC), including a video recognition system, but cash toll collection facilities may be permitted during traffic ramp-up. Within Project Sections 2-5, either the private partner or a separate contractor retained by KABATA will be responsible for installing, operating and maintaining tolling field systems, and collecting tolls, revenue handling and accounting, and customer service and support for the Project. Alaska does not have any ETC or other open road tolling installed base or standard that must be considered for interoperability, providing maximum flexibility to KABATA in designing and implementing the toll collection system.

Environment (also address issues related to sustainability (improving energy efficiency, reducing dependence on oil, reducing greenhouse gas emissions and reducing other transportation-related impacts on ecosystems, including the use of tolling or pricing structures to reduce or manage high levels of congestion on highway facilities and encourage the use of alternative transportation options); and state of good repair (improving the condition of existing transportation facilities and systems, with particular emphasis on projects that minimize lifecycle costs and use environmentally sustainable practices and materials):

The Project has a positive impact on the human and natural environment. The exceptional attention paid to design, construction and mitigation minimizes negative impacts.

Environmental Benefits from VMT Reduction²

Efficient travel in a growing community is necessary for it to function and to improve its environment. If the Project is not built, the trips from the Mat-Su to Anchorage that would still occur would require an additional 200,000,000 VMT annually by the year it would have opened and over 300,000,000 VMT annually 10 years later. The Project will result in a daily net reduction in VMT for traffic using the bridge of 372,000 upon opening, with the daily net reduction in VMT increasing to 519,000 in year 10. Annual net VMT reductions are 135,600,000 and 189,270,000 for opening year and year 10, respectively.

The reduction in VMT directly attributable to the Project results in a significant reduction in fuel use and greenhouse gas emissions. Using the net VMT reductions discussed above, and taking into account the impacts of rising Corporate Average Fuel Economy (CAFE) standards, fuel use is reduced by 5,256,000 gallons annually in opening year and 6,309,000 in year ten. Again accounting for rising CAFE standards, the annual reduction in CO₂ emissions is calculated to be 53,900 metric tons per year in opening year and 63,500 metric tons per year in year ten. Emissions calculations are based on fleet-wide emissions data presented in *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 Through 2009* published by the United States Environmental Protection Agency. For medium and heavy trucks, this information was supplemented by data from the *Transportation Energy Data Book: Edition 28* prepared by Oak Ridge National Laboratory.

Reduced VMT means that fewer lane miles of highway will need to be constructed to handle traffic demand. Using an assumed capacity of 9,000 vehicles per day per lane mile of road, over 93 lane miles of road that would have been otherwise required will not need to be built. Using an average construction cost of \$4.34 million per lane-mile in the Anchorage area, this is a capital cost savings of over \$400 million. In addition, over 5,600,000 square feet of land which would be covered by asphalt can remain undisturbed. Because the Project provides a new alternative to the Glenn Highway that will relieve congestion on that corridor and elsewhere in the network, it will help to maintain the condition of existing transportation facilities by reducing wear, as well as minimizing costly and environmentally intrusive expansion of the Glenn Highway.

² VMT figures discussed in this LOI are based on the WSA 2007 traffic and toll revenue study.



The Project will also reduce VMT in the existing Carbon Monoxide (CO) maintenance area in Anchorage; therefore, the Project will maintain compliance with the National Ambient Air Quality Standards (NAAQS) for CO. The Project meets air quality conformity and is well within the CO emissions budget.

Historic Preservation

The Project invested \$1.2 million to fund a Programmatic Agreement under Section 106 of the Historic Preservation Act for the Knik Tribe, the Native Village of Eklutna, the Mat-Su Borough and the Municipality of Anchorage to develop historic preservation portions for their borough, tribal, and neighborhood plans. The Agreement also funded the State Historic Preservation Officer to assist the Mat-Su in developing a GIS data base of historic and archaeological sites for use in land use planning and permitting decisions.

The Project crosses over the former site of Tak'at, an Alaska Native fish camp of the Dena'ina people. The fish camp was burned by the military circa 1941, and is buried under World War II-era refuse. Because of military security concerns, neither the Knik nor Eklutna Tribes have had access to this location since its destruction. While no mitigation is required, KABATA has offered to secure a replacement location where the tribes could help maintain their historic identities by operating a traditional fish camp along with the activities and ceremonies that are a part of their heritage.

Beluga Whale and Other Marine Mammal Protection

Following the completion of the EIS, the Cook Inlet beluga whale was listed under the Endangered Species Act. KABATA and FHWA have modified the Project to reduce the potential for impacts to the whale. A Biological Assessment and a Letter of Authorization were prepared and submitted to National Marine Fisheries Services (NMFS) by FHWA. In response to the BA and the modifications made, NMFS issued a Biological Opinion on November 30, 2010 that construction of the Project is unlikely to jeopardize the continued existence of the Cook Inlet beluga whales.

The following conservation measures are planned to be incorporated to avoid, minimize, and mitigate impacts to marine mammals during construction:

- Large diameter foundation piles will be installed by oscillating drilled shafts to minimize noise impacts to beluga whales.
- Impact pile driving and vibratory removal of template piles will be conducted during the December through July time period when beluga whale numbers in Knik Arm are low.
- No permanent boat launch facilities and no direct access to tidelands will be provided.
- Experienced marine mammal observers will be positioned at sites appropriate for monitoring whales and seals within and approaching the safety zone where marine mammals might be disturbed by pile-driving operations at a sufficient distance to allow for advance warning to stop pile driving.
- During the fall, when beluga whales are present in the Arm in greater numbers (August 1 to November 30), impact pile driving in subtidal waters will not be conducted.
- A "soft start" technique will be used at the beginning of each piling installation to allow any marine mammal that may be in the area to leave before impact piling reaches full energy.
- Initially the marine mammal safety zones will be defined based on measurements made at the nearby Port MacKenzie dock construction.
- Sound generated by the pile driver will be measured and used to refine the radii of the safety zones for the marine mammals.
- The safety zone around the pile-driving activity will be monitored for the presence of marine mammals before, during, and after pile-driving activity. The safety zone will be monitored for 30 minutes prior to initiating the soft start for pile driving.
- If the safety radius is obscured by fog or poor lighting conditions, pile driving will not be initiated until the entire safety radius is visible.
- If marine mammals are present in the safety zone (as confirmed by the monitors), the start of pile driving will be delayed until the animals leave the area.
- If marine mammals enter the safety zone during pile driving, pile driving will cease until the animals leave the area (as confirmed by the monitors).
- A Bridge Construction Monitoring and Reporting Plan will be developed and implemented to protect the beluga.

An Environmental Management System (EMS) will be implemented for tracking compliance with environmental commitments.



Government Hill Environmental Solutions

The Project's connection to the transportation system in Anchorage is designed to minimize impacts to the environment by constructing a cut-and-cover tunnel under Government Hill. The tunnel will minimize community impacts and maintain community cohesion. All mainline Project-related traffic will be routed through the tunnel and ramps will re-establish access to Government Hill for local traffic only. The tunnel location minimizes ROW relocations and adverse impacts to the Government Hill community. Indirect adverse effects to the Government Hill Urban Renewal Historic District will be significantly diminished. A Context Sensitive Solutions session has been completed and follow up sessions will be held. Architectural details for the roadway and cut-and-cover tunnel, including vegetation, lighting, and signs, will be integrated into the historic look of the neighborhood.

Life Cycle Environmental Benefits

The Project is being procured under a PPA to minimize lifecycle costs which is discussed in detail under *Private Participation* in this section. Minimizing lifecycle costs provides environmental benefits by reducing the need to reconstruct and rehabilitate the Project and minimizing the environmental impacts of those activities over its operating life. In addition, performance specifications for the Project will focus on and encourage practices and methods that reduce emissions, promote conservation and promote recycling, including use of recycled materials in construction where appropriate.

Mat-Su Borough Land Use Planning

Although FHWA does not require mitigation of indirect and cumulative impacts, KABATA will fund a new staff position in the Mat-Su Borough for two years to help develop a consolidated permitting process and facilitate appropriate land use, development, and environmental planning efforts in the Borough. KABATA will fund up to \$70,000 to be used by the Borough and other agencies to facilitate orderly land use and economic development, including resource inventories.

Project Acceleration:

Inclusion of TIFIA assistance in the plan of finance will substantially accelerate Project delivery by providing a more cost effective and flexible financing structure not available in the capital markets. The Project is substantially accelerated because TIFIA's low-cost, patient lender model is vital in the early years of Project operation when, according to the WSA 2011 traffic and toll revenue update, traffic volumes and toll revenue will be constrained. Without TIFIA credit, the State of Alaska would have to commit either to a larger State capital outlays and/or to a larger availability payment to support the higher cost of debt financing in lieu of TIFIA credit. Relying solely on State funds to substitute TIFIA funds disregards numerous other demands for State general funds and transportation funds. Similarly, a larger availability payment would impact other areas of the State's budget. Without TIFIA credit, risk that toll revenues would be insufficient in the early years to pay the larger availability payments is substantially increased. For all these reasons, KABATA believes it would be more costly and difficult to proceed without TIFIA credit.

Given the organic growth which is already occurring in the Mat-Su such a delay will result in increased VMT, reduced connectivity, increased carbon emissions, lower quality of life due to extended travel times, increased congestion, decreased traffic safety, delay in the efficient extension of transit services into the Mat-Su, and a continued trend of uncontrolled urban sprawl. TIFIA credit accelerates the Project schedule by reducing the level of the availability payment required for the Project to an acceptable level of general fund support during traffic ramp-up. By enabling lower tolls to meet availability payments, TIFIA credit reduces traffic diversion and optimizes the economic, financial, environmental, and livability benefits of the Project.

Purely on a construction cost basis, the Project costs have been estimated by FHWA to increase by \$25 million per year of delay. Accelerated Project delivery avoids higher costs and mitigates inflationary pressures on highway construction costs. A 5-year delay due to unavailability of a TIFIA loan, would equate to \$125 million without compounding, or about \$135 million with compounding at 4% inflation. Given this increased cost, the Project may always be "chasing" financial feasibility as cost escalation eats into potential increases in toll revenue and State funds that might accrue during such 5-year delay.

Beyond direct Project cost implications, the societal benefits delivered to citizens from earlier Project delivery are substantial. The Project will reduce average commute distance by 68 miles per day, saving an hour or more in travel time, based on the WSA 2007 traffic and toll revenue study. This will reduce fuel consumption, emissions, dependence on oil, congestion, and improve the quality of life and safety for the traveling public. Positive economic impact translates directly to jobs, economic opportunities and improved economic competitiveness for the U.S. will occur through accelerated



delivery of the Project. The substantial societal benefits delivered to citizens from earlier Project delivery are discussed in greater detail under the *Significance* and *Environment* criteria of this section of the LOI. Delaying or jeopardizing the realization of these key societal, economic, environmental and safety benefits if TIFIA credit is not available for the Project will have substantial negative impacts to the region and the State.

Creditworthiness (to the extent information is available at this stage):

As discussed in Section C, *Proposed Financing*, the expected revenue pledge for debt repayment are milestone and availability payments from KABATA's project reserve fund established to hold toll revenue and appropriated funds. The private partner will have the ability to pledge its interest in the Project reserve fund to its lenders. KABATA will not undertake any direct obligation with respect to debt incurred to finance the Project, although it may act as a conduit issuer of such debt.

Preliminary Rating Opinion Letter

Under the conditions of the EDA, the pro forma plan of finance submitted by KABATA must demonstrate that the senior obligations have high potential to achieve an investment grade rating. Further, the private partner consortium must submit to KABATA and the TIFIA JPO a preliminary ratings opinion letter indicating that the senior obligations have the potential to achieve an investment grade not later than the time it submits its proposal.

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

- Obligations of KABATA under the PPA being obligations of the State of Alaska, subject to appropriation;
- The State of Alaska's current appropriation credit rating of AA by Standard and Poors and Aa3 by Moodys;
- An initial \$150 million appropriation by the State of Alaska Legislature;
- Establishment of the Project reserve fund to assure the appropriated funds and toll revenues are pledged toward monetary obligations under the PPA, including any milestone payment(s) and the availability payments;
- An automatic statutory trigger for KABATA to request the State Legislature to act on supplemental appropriations if ever necessary to replenish the project reserve fund to the minimum requirement; and
- Initial sizing of the Project reserve fund sufficient to meet the reserve requirement while covering the availability payments during the first 10 years of operations, with projected toll revenues sufficient to fully support the availability payments thereafter.

The following are also strengths in the analysis of the Project by the nationally recognized statistical rating organizations (NRSROs):

- Ability of the private partner to pledge the milestone payment(s) and availability payments, and its beneficial interest in the Project reserve fund.
- Substantial capital funding by the State via the existing Title 23 and state funds, driving down the availability payment amounts.
- Project traffic and toll revenue studies indicate a substantial committed funding source for the State to draw from to meet the availability payments.
- Strategic importance and essentiality of the Project.
- Strong, counter-cyclical regional economy supporting economic, population and traffic growth.
- Strategic importance to the nation of Alaska's natural resources and military bases generates economic stability and upside catalyst for the base case traffic model.
- High median household and family income translate to ability to pay tolls.
- Broad public support for the Project, recognizing its benefits and essentiality.
- Significant expansions under way at the POA and Port of Mackenzie that will result in increased use, demand and need for the Project.
- Strategic Project location relative to ports, airports and rail support.
- Tourism represents seasonal boost to stable core traffic levels.

Information Concerning the Borrower's Ability to Repay All Borrowed Funds

The pro forma plan of finance submitted is preliminary and may differ materially from the financial plan submitted by the selected private partner. The actual TIFIA facility will be determined by the private partner who will be responsible for negotiating final terms and conditions of any TIFIA credit directly with the TIFIA JPO under the EDA. Given the benefits of the TIFIA program and its critical use in all recent P3 projects in the U.S., all proposers are very likely to include TIFIA



credit as a key component of their financial proposals. The private sector will structure their proposed availability payment to be able to repay the TIFIA credit.

Copy of Existing Financing Documents

The private partner must arrange all debt and equity financing. Therefore, the private partner will provide its financing documents to the TIFIA JPO in connection with satisfying the conditions to finalize the TIFIA credit commitment. Furthermore, the TIFIA credit's status in relation to pledged security, coverage, treatment under any additional bonds tests or other relevant credit factors cannot be determined until the proposers submit their proposals to KABATA and a selection and award is made. The pro forma plan of finance submitted with this LOI makes certain assumptions concerning the financing structure which may differ materially from those of the private partner.

Other Information in Support of Projects Creditworthiness

The Project is essential for Alaska's citizens. The Anchorage MSA is the hub of the Alaskan economy and transportation network. Anchorage has had 20 consecutive years of economic and employment growth prior to a mild downturn in 2009, and enjoys median family and household income consistently ranked in the top five cities in the U.S. with a population over 250,000. The geography of the region limits the connectivity between the Anchorage and the Mat-Su, supporting the essentiality of the Project. The Project has a compelling business case and a solid traffic and toll revenue model that, together with the strong financial position, the creditworthiness of the State of Alaska, and the Project reserve appropriation currently under consideration by the Alaska Legislature, serves as the foundation for potential equity investors, debt investors and NRSROs to rely on the availability payments as a revenue pledge.

Use of Technology:

Because KABATA is entering into a P3 to deliver the Project, it is utilizing performance-based contract provisions to encourage the private partner to design innovative technologies and systems for use in the operations and maintenance of the Project. The Project will include an array of innovative and cutting-edge technologies, developed and implemented to safely and efficiently move traffic on, off and along the Project. Examples of promising technologies applicable to the Project which would enhance its efficiency and capacity or reduce environmental impacts include:

- Anti-icing and Deicing Technologies – to prevent the formation of bonded snow and ice and to break the bond of snow and ice especially within the crossing area.
- Asphalt Deck Bonding Technologies – to prevent debonding of asphalt paving from the bridge deck.
- Earthquake Energy Absorber Technologies – to help the bridge structure absorb earthquake events with minimized damage.
- Driver Information Technologies – to provide changeable message signs, including advisory signs with roadway condition information especially within the 14,000 foot crossing.
- User Classification Technologies – to accurately classify each vehicle passing at highway speeds through the tolling zone according to its height, length, and number of axles.
- Video Exception Technologies – to capture visually vehicle license information for toll collection and enforcement.
- Closed Circuit Television – to provide visual verification of congestion and incidents and providing safety and security measures.
- Electronic Toll Collection Technologies – to allow travel without stopping to pay tolls including the use of mounted transponder units and video recognition systems to allow users to be charged monthly based on their vehicle registration.
- Oscillated Drilled Shaft Technologies – to reduce noise and minimize impacts on the environment during construction.
- Quiet Pavement Technologies – to reduce noise and minimize impacts on the environment during facility operations.

Budget Authority (to the extent information is available at this stage):

The pro forma plan of finance is structured to minimize the consumption of TIFIA budget authority. This is accomplished through a combination of:

- The strong Credit Structure;
- The low ratio of the senior lien debt and total debt (including TIFIA) to the total Project capital costs due to the substantial capital funding from Title 23 and State appropriated funds; and
- Funding at financial close of at least \$10 million, and potentially 100%, of the subsidy for the TIFIA credit from non-federal Project sources rather than from the USDOT's scarce TIFIA budget authority. Assuming the proposed KABATA legislation is enacted the pro forma plan of finance has the capacity to fund the entire TIFIA credit subsidy.



The pro forma plan of finance assumes tax exempt bonds. KABATA has obtained from USDOT a \$600 million PABs allocation that will be made available to the private partner. KABATA anticipates that the private partner will use PABs in its proposed plan of finance. PABs are tax exempt, bear a lower interest cost, and are generally more attractive than taxable senior lien bank debt. The availability to proposers of PABs as an option for the senior debt could further reduce the amount of TIFIA credit assistance.

Reduced Federal Grant Assistance:

TIFIA credit, coupled with private equity and State of Alaska funding, has reduced the need for Title 23 grant assistance by approximately \$230 million for the Project. Alternatively, if the State chose to fund from future federal transportation bills, the Project would likely consume an additional \$230-\$350 million of Title 23 funds after consideration of cost escalation.

E) Environmental Review. Summarize the status of the project's environmental review. Specifically, discuss whether the project has received a *Categorical Exclusion, Finding of No Significant Impact, or Record of Decision* or whether a draft *Environmental Impact Statement* has been circulated.

The FHWA, in cooperation with the ADOT&PF and KABATA, published a Final EIS for the Project on January 18, 2008. On November 30, 2010, NMFS issued a Biological Opinion indicating that construction of the Project would not likely jeopardize the continued existence of the Cook Inlet stock of beluga whales. This "No Jeopardy" opinion allowed FHWA to issue a "Build" Record of Decision for the Project on December 15, 2010. A copy of these documents can be found on the TIFIA LOI webpage at www.knikarmbridge.com/TIFIA.html.

F) Other Information. Briefly discuss any other issues that may affect the development and financing of the project, such as *community support, pending legislation or litigation*.

Legislation has been introduced in the State of Alaska Legislature to improve the financial feasibility of the Project and the use of an availability payment form of project delivery and financing. The two bills introduced in the Senate (SB79 and SB80) and two bills introduced in the House (HB158 and HB159) are available on the TIFIA LOI webpage at www.knikarmbridge.com/TIFIA.html.

If enacted, the legislation would accomplish the following:

- Clearly provide that all monetary obligations of KABATA under the PPA, including milestone payments and availability payments, are obligations of the State, satisfaction of which is subject to appropriation (to the extent the obligations exceed available toll revenues), as required by the Alaska constitution;
- Authorize KABATA to establish a project reserve fund to hold toll revenues, appropriated funds and other KABATA revenues, and available to pay PPA monetary obligations and KABATA's own operating costs, with surplus available to pay for capacity improvements and expansions related to the Project and other Title 23 eligible transportation improvements and transit;
- Establish for KABATA a procedure, comparable to that available to other public corporations under Alaska law, to report to the legislature and request further appropriations if the project reserve fund falls below a minimum reserve fund requirement;
- Increase KABATA's bonding authority to \$600 million, enabling KABATA to act as conduit issuer for the full amount of the PABs allocation;
- Exempt the private partner's interest from state and local real property taxes and assessments; and
- Appropriate \$150 million for the Project, to be deposited into the project reserve fund at or after PPA execution.

Expressions of support and the bills under consideration by the Alaska Legislature can be found on the TIFIA LOI webpage at <http://www.knikarmbridge.com/TIFIA.html>. Currently the legislation is working its way through committees and KABATA will update this LOI with any new information that emerges concerning the legislation.



G) Is the project consistent with the State Transportation Plan and, if applicable, the metropolitan plan?

No

Yes

Not applicable

Please briefly elaborate.

The Knik Arm Crossing is in the STIP and in the Anchorage MPO's conforming TIP and LRTP. See the LOI website at www.knikarmbridge.com/TIFIA.html for excerpts from the STIP, TIP and LRTP.

H) Is the project prepared to submit an application for TIFIA assistance within a short timeframe after receiving an invitation from the TIFIA JPO? What factors could impact this timetable?

The Project is absolutely prepared to submit an application for TIFIA credit assistance within a short timeframe after receiving an invitation from the TIFIA JPO, especially in light of a key project milestone having recently been accomplished with the issuance of a "Build" Record of Decision by FHWA on December 15, 2010.

KABATA has the experience and capability to adhere to the application process in an efficient and timely manner. KABATA previously filed an application for TIFIA credit assistance and paid the application fee of \$30,000 in August 2007 under the terms of the EDA. That application was subjected to risk assessment by the TIFIA JPO completed in early 2008, resulting in a recommendation that the USDOT Credit Council conditionally allocate up to \$261 million of TIFIA credit to the Project under a revenue risk transfer P3 model.³ We have exceeded the requirements for submission with this TIFIA LOI, including most of the substantive requirements of a full application provided at www.knikarmbridge.com/TIFIA.html. KABATA and our consultants have demonstrated experience in filing applications with TIFIA and our TIFIA Orals presented with the 2007 application were heralded by the TIFIA JPO as a model for the application process.

Factors that could impact the Project timetable include (a) whether the State Legislature enacts pending legislation to establish the project reserve fund, clarify that PPA monetary obligations are state obligations subject to appropriation, and to provide an appropriation, and (b) whether litigation related to NEPA occurs. However, neither of those items should have a material impact on submittal of a TIFIA application. KABATA and the Project stand ready to do so in a manner consistent with the current NOFA.

The schedule for procurement of an availability payment PPA has been designed to provide for high assurance of award, commercial close and financial close within the current NOFA time frame.

I) Please provide any additional information necessary.

Appendices and exhibits to this and TIFIA LOI and other supporting documentation are available at www.knikarmbridge.com/TIFIA.html

J) Identify a key contact person with whom all communication should flow.

Name: Kevin P. Hemenway
Title: Chief Financial Officer
Street Address: 550 West 7th Avenue, Suite 1850
City/State: Anchorage, Alaska 99501
Phone: (907) 269-6698

³ No budget authority was obligated to the Project at that time pending proposals from private partner consortia.



Fax: (907) 269-6697

E-mail: Kevin.Hemenway@Alaska.gov

Fees. The undersigned certifies that, if invited to submit a formal application, payment of a non-refundable \$50,000 application fee will be made to the DOT concurrent with the application submission. For projects that enter credit negotiations, the undersigned further certifies a transaction fee will be paid at closing or, in the event no final credit agreement is reached, upon invoicing by the DOT, in the amount equal to the actual costs incurred by the DOT in procuring the assistance of outside financial advisors and legal counsel. This fee is due whether or not the loan closes.

Debarment. The undersigned certifies that it is not currently, nor has it been in the preceding three years: 1) debarred, suspended or declared ineligible from participating in any Federal program; 2) formally proposed for debarment, with a final determination still pending; 3) voluntarily excluded from participation in a Federal transaction; or 4) indicted, convicted, or had a civil judgment rendered against it for any of the offenses listed in the Regulations Governing Debarment and Suspension (Government-wide Nonprocurement Debarment and Suspension Regulations: 49 C.F.R. Part 29).

Default/Delinquency. The undersigned further certifies that neither it nor any of its subsidiaries or affiliates is currently in default or delinquent on any debt or loans provided or guaranteed by the Federal Government.

Signature: By submitting this Letter of Interest, the undersigned certifies that the facts stated herein are true, to the best of the applicant's knowledge and belief after due inquiry, and that the applicant has not omitted any material facts. The undersigned is an authorized representative of the applicant.

Submitted by:

Applicant/Borrower Name Knik Arm Bridge and Toll Authority (Applicant)

Signature _____

Name/Title Andrew J. Niemiec, Executive Director

Date March 1, 2011

Please attach any relevant documents (e.g., maps, organization charts, etc.).

Because of their voluminous nature and large files sizes, exhibits to this TIFIA LOI and other relevant documents are provided at www.knikarmbridge.com/TIFIA.html.

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

SOURCES AND USES

SOURCES	TAX-EXEMPT	TAXABLE	TIFIA	EQUITY	TOTAL PRIVATE FINANCING	PUBLIC INVESTMENT	TOTAL
Current Interest Bonds	356,159,159	-	-	-	356,159,159	-	356,159,159
Capital Accretion Bonds <i>200M in interest</i>	40,792,688	-	-	-	40,792,688	-	40,792,688
TIFIA	-	-	306,019,062	-	306,019,062	-	306,019,062
Equity	-	-	-	78,605,917	78,605,917	-	78,605,917
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) 2011 State Grant	-	-	-	-	-	-	-
4) State Grant	-	-	-	-	-	150,000,000	150,000,000
5) State Commerce Grant	-	-	-	-	-	15,000,000	15,000,000
Total	396,951,847	-	306,019,062	78,605,917	781,576,826	294,897,259	1,076,474,085

USES

Deposit to Construction Fund	269,467,758	-	305,269,062	75,962,117	650,698,937	62,495,013	713,193,950
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
Upfront Payment to TIFIA (2)	10,000,000	-	-	-	10,000,000	-	10,000,000
Deposit to Capitalized Interest Fund	66,277,301	-	-	-	66,277,301	-	66,277,301
Deposit to Prepaid Interest Fund	-	-	-	1,105,300	1,105,300	-	1,105,300
Debt Service Reserve Fund	39,695,185	-	-	-	39,695,185	-	39,695,185
Bond Insurance Premium	-	-	-	-	-	-	-
Cost of Issuance	7,939,037	-	750,000	-	8,689,037	-	8,689,037
Underwriter's Discount	1,984,759	-	-	-	1,984,759	-	1,984,759
Other Transaction Costs (1)	1,587,807	-	-	1,538,500	3,126,307	-	3,126,307
Concession (Shortfall)/Surplus	-	-	-	-	-	-	-
Total	396,951,847	-	306,019,062	78,605,917	781,576,826	294,897,259	1,076,474,085

Equity Contribution (12% IRR)	78,605,917
Construction Fund Surplus / (Shortfall)	989
Equity as % of Financing, Including Public Funds	20.102%
Equity as % of Financing, Excluding Public Funds	10.057%
Delivery Date	12/1/12
Rates as of	11/22/10
Cap I Date	12/1/2015
Cap I Earnings Rate	0.50%
Bond Yield	6.904%
Arbitrage Yield	6.904%
True Interest Cost	6.838%
Minimum Coverage	1.39x
Average Coverage	1.89x
Final Maturity	12/1/2043
Total Qualified Project Costs	918,057,185
TIFIA 33% Limitation	306,019,062

(1) Includes stipend, success fee, and upfront administrative costs to KABATA
(2) For subsidy cost of credit assistance

Contract \$1.4B net project revenue proj. are inflated

*projecting \$50M deficit / yr for 1st 10 yrs.
balloon payments req'd*

Big growth pop. inflated

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

ASSUMPTIONS

Derivation of DSRF Requirement	
Tax-Exempt	
10% of Par	39,695,185
Maximum Annual Debt Service	63,872,500
125% of Average Annual Debt Service	46,966,930
Minimum of 3 tests	<u>39,695,185</u>
Taxable Bonds	
Maximum Annual Debt Service	-
50% of Average Annual Debt Service	-
Deposit	-
TIFIA Eligible Costs	
Project Costs	715,882,350
KABATA Debt Service Reserve Fund Deposit	39,695,185
KABATA Capitalized Interest Deposit	66,277,301
Bond Insurance	-
Cost of Issuance	8,689,037
Development Phase: Public Investment (1)	82,402,246
Underwriter's Discount	1,984,759
Upfront Payment	3,126,307
Total Eligible TIFIA Costs	<u>918,057,185</u>
Maximum Capacity Constraint	306,019,062
Actual TIFIA Loan Amount Used	306,019,062
2016 Initial Toll Rate	\$5.00
2011 Initial Toll Rate (PV @ 2.50%)	\$4.42
Annual Toll Rate Increase After 2016	2.500%
Costs of Issuance	
Bonds	2.000%
TIFIA	750,000
Underwriter's Discount	
Bonds	0.500%
Insurance (% of Total DS)	0.000%

(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 - Current Market

EBITDA

Date	Toll Revenue	Availability Payment (1)	Interest Income Earnings	2.50% O&M	2.50% Tolling Operations	2.50% Renewal CapEx	Cash Available for Debt Service
Total	-	3,227,382,614	73,039,140	(124,880,463)	(203,564,078)	(115,404,536)	2,856,572,677
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	35,768,500	1,190,856	(1,861,725)	(1,704,000)	(867,505)	32,526,125
2017	-	39,599,240	1,190,856	(2,165,827)	(1,905,000)	(868,374)	35,850,894
2018	-	45,503,210	1,190,856	(2,020,124)	(2,091,000)	(876,619)	41,706,322
2019	-	51,483,338	1,190,856	(2,145,107)	(2,263,000)	(878,383)	47,387,703
2020	-	53,542,672	1,190,856	(2,107,097)	(2,412,000)	(879,333)	49,335,097
2021	-	55,684,378	1,190,856	(2,397,298)	(2,553,000)	(1,186,478)	50,738,458
2022	-	57,911,753	1,190,856	(2,273,668)	(2,699,000)	(1,187,486)	52,942,455
2023	-	60,228,224	1,190,856	(2,565,983)	(2,853,000)	(2,404,138)	53,595,959
2024	-	62,637,353	1,190,856	(2,412,134)	(3,014,000)	(2,404,364)	55,997,710
2025	-	65,142,847	1,190,856	(2,707,185)	(3,209,000)	(2,405,465)	58,012,052
2026	-	67,748,561	1,190,856	(2,559,033)	(3,411,000)	(2,398,129)	60,571,254
2027	-	70,458,503	1,190,856	(2,771,252)	(3,623,000)	(2,399,297)	62,855,810
2028	-	73,276,843	1,190,856	(2,714,878)	(3,844,000)	(1,177,536)	66,731,285
2029	-	76,207,917	1,190,856	(3,145,128)	(4,077,000)	(1,178,775)	68,997,870
2030	-	79,256,233	1,190,856	(2,779,103)	(4,300,000)	(1,180,051)	72,187,935
2031	-	82,426,483	1,190,856	(3,119,068)	(4,521,000)	(1,914,812)	74,062,459
2032	-	85,723,542	1,190,856	(3,055,620)	(4,752,000)	(1,916,166)	77,190,612
2033	-	89,152,484	1,190,856	(3,539,869)	(4,995,000)	(1,917,560)	79,890,910
2034	-	92,718,583	1,190,856	(3,241,707)	(5,248,000)	(2,005,203)	83,414,529
2035	-	95,036,548	1,190,856	(3,393,322)	(5,547,000)	(3,750,337)	83,536,745
2036	-	97,412,461	1,190,856	(3,439,126)	(5,810,000)	(4,823,693)	84,530,498
2037	-	99,847,773	1,190,856	(3,984,154)	(6,086,000)	(4,825,262)	86,143,212
2038	-	102,343,967	1,190,856	(3,648,569)	(6,375,000)	(4,826,879)	88,684,375
2039	-	104,902,567	1,190,856	(3,951,142)	(6,675,000)	(4,742,338)	90,724,942
2040	-	107,525,131	1,190,856	(3,734,881)	(6,991,165)	(3,000,399)	94,989,541
2041	-	110,213,259	1,190,856	(4,484,201)	(7,322,305)	(2,172,044)	97,425,564
2042	-	112,968,590	1,190,856	(4,106,497)	(7,669,130)	(2,283,067)	100,100,751
2043	-	115,792,805	40,886,040	(4,447,045)	(8,032,383)	(2,284,941)	141,914,476
2044	-	118,687,625	-	(4,356,582)	(8,412,841)	(2,286,872)	103,631,330
2045	-	121,654,816	-	(4,889,477)	(8,811,320)	(2,288,860)	105,665,159
2046	-	124,696,186	-	(4,621,899)	(9,228,673)	(6,464,809)	104,380,806
2047	-	127,813,591	-	(5,005,188)	(9,665,794)	(8,843,749)	104,298,860
2048	-	131,008,931	-	(4,903,372)	(10,123,619)	(8,845,922)	107,136,018
2049	-	134,284,154	-	(5,680,450)	(10,603,130)	(8,848,159)	109,152,415
2050	-	137,641,258	-	(5,019,368)	(11,105,353)	(8,988,800)	112,527,737
2051	-	141,082,289	-	(5,633,384)	(11,631,364)	(6,082,732)	117,734,809

(1) Escalates at 4.0% through 20 years, 2.5% thereafter.

Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market

COVERAGE

Date	Cash Available for Debt Service	Senior Debt Service	Senior Lien Coverage	TIFIA DS	Total Coverage	Total Coverage (inc. O&M)	Net Cashflow	PV of Net Cash Flow 12.0%
Total	2,856,572,677	(1,093,198,502)		(839,526,374)			923,847,801	78,605,917
2013	-	-	-	-	-	-	-	0
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	32,526,125	(23,477,000)	1.39x	-	1.39x	1.39x	9,049,125	5,677,533
2017	35,850,894	(23,477,000)	1.53x	-	1.53x	1.53x	12,373,894	6,909,518
2018	41,706,322	(23,477,000)	1.78x	-	1.78x	1.78x	18,229,322	9,059,414
2019	47,387,703	(23,477,000)	2.02x	-	2.02x	2.02x	23,910,703	10,575,727
2020	49,335,097	(22,326,650)	2.21x	(17,946,899)	1.22x	1.22x	9,061,548	3,567,045
2021	50,738,458	(23,477,000)	2.16x	(17,942,149)	1.22x	1.22x	9,319,308	3,264,962
2022	52,942,455	(25,280,932)	2.09x	(17,937,399)	1.22x	1.22x	9,724,124	3,032,028
2023	53,595,959	(25,819,154)	2.08x	(17,932,649)	1.22x	1.22x	9,844,155	2,731,803
2024	55,997,710	(27,784,517)	2.02x	(17,927,899)	1.22x	1.22x	10,285,293	2,540,247
2025	58,012,052	(29,433,628)	1.97x	(17,923,149)	1.22x	1.22x	10,655,275	2,342,136
2026	60,571,254	(31,527,523)	1.92x	(17,918,399)	1.22x	1.22x	11,125,332	2,176,450
2027	62,855,810	(33,397,216)	1.88x	(17,913,649)	1.22x	1.22x	11,544,944	2,010,092
2028	66,731,285	(36,565,619)	1.82x	(17,908,899)	1.22x	1.22x	12,256,766	1,899,277
2029	68,997,870	(38,420,643)	1.80x	(17,904,149)	1.22x	1.22x	12,673,078	1,747,764
2030	72,187,935	(41,029,528)	1.76x	(17,899,399)	1.22x	1.22x	13,259,008	1,627,421
2031	74,062,459	(42,564,501)	1.74x	(17,894,649)	1.22x	1.22x	13,603,308	1,486,010
2032	77,190,612	(45,122,846)	1.71x	(17,889,899)	1.22x	1.22x	14,177,867	1,378,403
2033	79,890,910	(47,331,921)	1.69x	(17,885,149)	1.22x	1.22x	14,673,840	1,269,689
2034	83,414,529	(50,213,094)	1.66x	(17,880,399)	1.22x	1.22x	15,321,036	1,179,859
2035	83,536,745	(50,317,612)	1.66x	(17,875,649)	1.22x	1.22x	15,343,483	1,051,609
2036	84,530,498	(51,133,590)	1.65x	(17,870,899)	1.22x	1.22x	15,526,010	947,062
2037	86,143,212	(52,454,841)	1.64x	(17,866,149)	1.22x	1.22x	15,822,222	858,963
2038	88,684,375	(54,534,009)	1.63x	(17,861,399)	1.22x	1.22x	16,288,967	787,025
2039	90,724,942	(56,204,528)	1.61x	(17,856,649)	1.22x	1.22x	16,663,765	716,566
2040	94,989,541	(59,690,584)	1.59x	(17,851,899)	1.22x	1.22x	17,447,058	667,719
2041	97,425,564	(61,683,924)	1.58x	(17,847,149)	1.22x	1.22x	17,894,491	609,508
2042	100,100,751	(63,872,500)	1.57x	(17,842,399)	1.22x	1.22x	18,385,852	557,355
2043	141,914,476	(29,104,140)	4.88x	(86,744,405)	1.23x	1.23x	26,065,931	703,250
2044	103,631,330	-	-	(84,597,005)	1.22x	1.22x	19,034,325	457,048
2045	105,665,159	-	-	(86,257,273)	1.22x	1.22x	19,407,886	414,755
2046	104,380,806	-	-	(85,208,821)	1.22x	1.22x	19,171,984	364,643
2047	104,298,860	-	-	(85,141,939)	1.22x	1.22x	19,156,922	324,276
2048	107,136,018	-	-	-	-	-	107,136,018	1,614,036
2049	109,152,415	-	-	-	-	-	109,152,415	1,463,522
2050	112,527,737	-	-	-	-	-	112,527,737	1,342,808
2051	117,734,809	-	-	-	-	-	117,734,809	1,250,395

Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market

ANNUAL DEBT SERVICE

Date	Tax-Exempt CIB Annual DS	Tax-Exempt CAB Annual DS	Taxable CIB Annual DS	Total Senior Annual DS	Capl Interest Draws	Prepaid Interest Draws	Net Senior Annual DS	TIFIA Annual DS	Net Annual DS
Total	916,352,037	248,427,817	-	1,164,779,853	(70,431,001)	(1,150,350)	1,093,198,502	839,526,374	1,932,724,876
2013	23,477,000	-	-	23,477,000	(23,477,000)	-	-	-	-
2014	23,477,000	-	-	23,477,000	(23,477,000)	-	-	-	-
2015	23,477,000	-	-	23,477,000	(23,477,000)	-	-	-	-
2016	23,477,000	-	-	23,477,000	-	-	23,477,000	-	23,477,000
2017	23,477,000	-	-	23,477,000	-	-	23,477,000	-	23,477,000
2018	23,477,000	-	-	23,477,000	-	-	23,477,000	-	23,477,000
2019	23,477,000	-	-	23,477,000	-	-	23,477,000	-	23,477,000
2020	23,477,000	-	-	23,477,000	-	(1,150,350)	22,326,650	17,946,899	40,273,549
2021	23,477,000	-	-	23,477,000	-	-	23,477,000	17,942,149	41,419,149
2022	25,280,932	-	-	25,280,932	-	-	25,280,932	17,937,399	43,218,331
2023	25,819,154	-	-	25,819,154	-	-	25,819,154	17,932,649	43,751,803
2024	27,784,517	-	-	27,784,517	-	-	27,784,517	17,927,899	45,712,417
2025	29,433,628	-	-	29,433,628	-	-	29,433,628	17,923,149	47,356,778
2026	31,527,523	-	-	31,527,523	-	-	31,527,523	17,918,399	49,445,922
2027	33,397,216	-	-	33,397,216	-	-	33,397,216	17,913,649	51,310,865
2028	36,565,619	-	-	36,565,619	-	-	36,565,619	17,908,899	54,474,519
2029	38,420,643	-	-	38,420,643	-	-	38,420,643	17,904,149	56,324,792
2030	41,029,528	-	-	41,029,528	-	-	41,029,528	17,899,399	58,928,927
2031	42,564,501	-	-	42,564,501	-	-	42,564,501	17,894,649	60,459,150
2032	45,122,846	-	-	45,122,846	-	-	45,122,846	17,889,899	63,012,745
2033	47,331,921	-	-	47,331,921	-	-	47,331,921	17,885,149	65,217,070
2034	12,129,670	38,083,424	-	50,213,094	-	-	50,213,094	17,880,399	68,093,493
2035	12,129,670	38,187,942	-	50,317,612	-	-	50,317,612	17,875,649	68,193,261
2036	12,129,670	39,003,920	-	51,133,590	-	-	51,133,590	17,870,899	69,004,489
2037	12,129,670	40,325,171	-	52,454,841	-	-	52,454,841	17,866,149	70,320,990
2038	12,129,670	42,404,340	-	54,534,009	-	-	54,534,009	17,861,399	72,395,409
2039	12,129,670	44,074,859	-	56,204,528	-	-	56,204,528	17,856,649	74,061,178
2040	53,342,423	6,348,161	-	59,690,584	-	-	59,690,584	17,851,899	77,542,483
2041	61,683,924	-	-	61,683,924	-	-	61,683,924	17,847,149	79,531,073
2042	63,872,500	-	-	63,872,500	-	-	63,872,500	17,842,399	81,714,899
2043	29,104,140	-	-	29,104,140	-	-	29,104,140	86,744,405	115,848,545
2044	-	-	-	-	-	-	-	84,597,005	84,597,005
2045	-	-	-	-	-	-	-	86,257,273	86,257,273
2046	-	-	-	-	-	-	-	85,208,821	85,208,821
2047	-	-	-	-	-	-	-	85,141,939	85,141,939
2048	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

AVAILABILITY PAYMENT SURPLUS (SHORTFALL)

Date	Toll Revenue	Availability Payment	KABATA Administrative Costs	Net State Surplus (Shortfall)	PV @ 5.000%	Cumulative Deficit/Return
Total	4,812,777,321	(3,227,382,614)	(178,187,102)	1,407,207,605	252,331,221	
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	16,023,500	(35,768,500)	(2,945,406)	(22,690,406)	(18,623,073)	(22,690,406)
2017	24,542,600	(39,599,240)	(3,028,146)	(18,084,786)	(14,127,806)	(40,775,192)
2018	32,020,423	(45,503,210)	(3,113,227)	(16,596,013)	(12,340,063)	(57,371,205)
2019	38,481,071	(51,483,338)	(3,200,716)	(16,202,983)	(11,467,292)	(73,574,187)
2020	43,310,858	(53,542,672)	(3,290,682)	(13,522,495)	(9,109,090)	(87,096,683)
2021	47,408,267	(55,684,378)	(3,383,196)	(11,659,308)	(7,475,551)	(98,755,990)
2022	51,683,477	(57,911,753)	(3,478,330)	(9,706,607)	(5,923,660)	(108,462,597)
2023	56,142,817	(60,228,224)	(3,576,159)	(7,661,566)	(4,450,333)	(116,124,164)
2024	60,792,822	(62,637,353)	(3,676,761)	(5,521,291)	(3,052,586)	(121,645,455)
2025	67,281,244	(65,142,847)	(3,780,212)	(1,641,816)	(863,980)	(123,287,270)
2026	73,915,922	(67,748,561)	(3,886,597)	2,280,765	1,142,384	(121,006,506)
2027	80,840,283	(70,458,503)	(3,995,997)	6,385,783	3,044,375	(114,620,723)
2028	88,064,665	(73,276,843)	(4,108,499)	10,679,323	4,845,962	(103,941,400)
2029	95,599,741	(76,207,917)	(4,224,192)	15,167,632	6,550,981	(88,773,768)
2030	102,270,339	(79,256,233)	(4,343,167)	18,670,938	7,675,506	(70,102,829)
2031	108,421,773	(82,426,483)	(4,465,517)	21,529,773	8,424,276	(48,573,056)
2032	114,816,860	(85,723,542)	(4,591,339)	24,501,979	9,125,287	(24,071,077)
2033	121,463,939	(89,152,484)	(4,720,732)	27,590,723	9,780,493	3,519,646
2034	128,371,610	(92,718,583)	(4,853,798)	30,799,229	10,391,776	34,318,875
2035	137,649,376	(95,036,548)	(4,990,642)	37,622,186	12,082,206	71,941,061
2036	144,260,514	(97,412,461)	(5,131,373)	41,716,680	12,751,586	113,657,741
2037	151,116,178	(99,847,773)	(5,276,100)	45,992,305	13,381,103	159,650,046
2038	158,224,462	(102,343,967)	(5,424,939)	50,455,556	13,972,303	210,105,602
2039	165,593,713	(104,902,567)	(5,578,007)	55,113,139	14,526,682	265,218,741
2040	173,306,224	(107,525,131)	(5,735,426)	60,045,667	15,064,170	325,264,408
2041	181,377,984	(110,213,259)	(5,878,811)	65,285,914	15,589,612	390,550,322
2042	189,825,730	(112,968,590)	(6,025,781)	70,831,358	16,098,805	461,381,680
2043	198,666,977	(115,792,805)	(6,176,426)	76,697,746	16,592,161	538,079,426
2044	207,920,058	(118,687,625)	(6,330,837)	82,901,596	17,070,078	620,981,022
2045	217,604,157	(121,654,816)	(6,489,108)	89,460,234	17,532,947	710,441,256
2046	227,739,355	(124,696,186)	(6,651,335)	96,391,834	17,981,147	806,833,090
2047	238,346,667	(127,813,591)	(6,817,619)	103,715,457	18,415,050	910,548,547
2048	249,448,086	(131,008,931)	(6,988,059)	111,451,097	18,835,018	1,021,999,644
2049	261,066,633	(134,284,154)	(7,162,761)	119,619,718	19,241,403	1,141,619,362
2050	273,226,398	(137,641,258)	(7,341,830)	128,243,311	19,634,550	1,269,862,673
2051	285,952,596	(141,082,289)	(7,525,375)	137,344,932	20,014,795	1,407,207,605

Early revenue cannot meet the "bills"

*Current 169K pop
KABATA 2030-204K pop.
KABATA 2030-250K pop.*

*Good Numbers
64% difference in population growth projections DOH / ISEK
BO*

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market
General Inputs**

STATE RESERVE FUND

Date	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	Surplus Withdrawals (3)	Ending Balance
Total		1,530,494,875	154,264,158	-	(123,287,270)	(1,561,471,763)	
2013	150,000,000	-	4,500,000	-	-	-	154,500,000
2014	154,500,000	-	4,635,000	-	-	-	159,135,000
2015	159,135,000	-	4,774,050	-	-	-	163,909,050
2016	163,909,050	-	4,917,272	-	(22,690,406)	-	146,135,915
2017	146,135,915	-	4,384,077	-	(18,084,786)	-	132,435,207
2018	132,435,207	-	3,973,056	-	(16,596,013)	-	119,812,251
2019	119,812,251	-	3,594,368	-	(16,202,983)	-	107,203,635
2020	107,203,635	-	3,216,109	-	(13,522,495)	-	96,897,249
2021	96,897,249	-	2,906,917	-	(11,659,308)	-	88,144,859
2022	88,144,859	-	2,644,346	-	(9,706,607)	-	81,082,598
2023	81,082,598	-	2,432,478	-	(7,661,566)	-	75,853,509
2024	75,853,509	-	2,275,605	-	(5,521,291)	-	72,607,823
2025	72,607,823	-	2,178,235	-	(1,641,816)	-	73,144,242
2026	73,144,242	2,280,765	2,194,327	-	-	-	77,619,334
2027	77,619,334	6,385,783	2,328,580	-	-	-	86,333,698
2028	86,333,698	10,679,323	2,590,011	-	-	-	99,603,031
2029	99,603,031	15,167,632	2,988,091	-	-	-	117,758,754
2030	117,758,754	18,670,938	3,532,763	-	-	-	139,962,455
2031	139,962,455	21,529,773	4,198,874	-	-	(15,691,102)	150,000,000
2032	150,000,000	24,501,979	4,500,000	-	-	(29,001,979)	150,000,000
2033	150,000,000	27,590,723	4,500,000	-	-	(32,090,723)	150,000,000
2034	150,000,000	30,799,229	4,500,000	-	-	(35,299,229)	150,000,000
2035	150,000,000	37,622,186	4,500,000	-	-	(42,122,186)	150,000,000
2036	150,000,000	41,716,680	4,500,000	-	-	(46,216,680)	150,000,000
2037	150,000,000	45,992,305	4,500,000	-	-	(50,492,305)	150,000,000
2038	150,000,000	50,455,556	4,500,000	-	-	(54,955,556)	150,000,000
2039	150,000,000	55,113,139	4,500,000	-	-	(59,613,139)	150,000,000
2040	150,000,000	60,045,667	4,500,000	-	-	(64,545,667)	150,000,000
2041	150,000,000	65,285,914	4,500,000	-	-	(69,785,914)	150,000,000
2042	150,000,000	70,831,358	4,500,000	-	-	(75,331,358)	150,000,000
2043	150,000,000	76,697,746	4,500,000	-	-	(81,197,746)	150,000,000
2044	150,000,000	82,901,596	4,500,000	-	-	(87,401,596)	150,000,000
2045	150,000,000	89,460,234	4,500,000	-	-	(93,960,234)	150,000,000
2046	150,000,000	96,391,834	4,500,000	-	-	(100,891,834)	150,000,000
2047	150,000,000	103,715,457	4,500,000	-	-	(108,215,457)	150,000,000
2048	150,000,000	111,451,097	4,500,000	-	-	(115,951,097)	150,000,000
2049	150,000,000	119,619,718	4,500,000	-	-	(124,119,718)	150,000,000
2050	150,000,000	128,243,311	4,500,000	-	-	(132,743,311)	150,000,000
2051	150,000,000	137,344,932	4,500,000	-	-	(141,844,932)	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.

**Knik Arm Bridge and Toll Authority
 Federalization of Sections 2-5, with TIFIA Optimization
 Private Model - Availability Payment Structure - Current Market**

CONSTRUCTION FUND

Date	Days 30/360	Beginning Balance	Bond Proceeds Initial Deposit	Federal Monies Initial Deposit	Equity Deposit	TIFIA Deposit	Shortfall	Total Deposits	Interest Earnings 0.50%	Draws	Ending Balance
Total			269,467,758	62,495,013	75,962,117	306,019,062	-	713,943,950	1,939,396	715,882,350	
12/1/12		-	269,467,758	62,495,013	-	-	-	331,962,771	-	-	331,962,771
1/1/13	30	331,962,771	-	-	-	-	-	-	138,318	5,347,627	326,753,461
2/1/13	30	326,753,461	-	-	-	-	-	-	136,147	5,347,627	321,541,981
3/1/13	30	321,541,981	-	-	-	-	-	-	133,976	5,347,627	316,328,329
4/1/13	30	316,328,329	-	-	-	-	-	-	131,803	5,973,680	310,486,453
5/1/13	30	310,486,453	-	-	-	-	-	-	129,369	5,973,680	304,642,142
6/1/13	30	304,642,142	-	-	-	-	-	-	126,934	5,973,680	298,795,397
7/1/13	30	298,795,397	-	-	-	-	-	-	124,498	16,108,405	282,811,490
8/1/13	30	282,811,490	-	-	-	-	-	-	117,838	16,108,405	266,820,924
9/1/13	30	266,820,924	-	-	-	-	-	-	111,175	16,108,405	250,823,695
10/1/13	30	250,823,695	-	-	-	-	-	-	104,510	14,959,802	235,968,403
11/1/13	30	235,968,403	-	-	-	-	-	-	98,320	14,959,802	221,106,921
12/1/13	30	221,106,921	-	-	-	-	-	-	92,128	14,959,802	206,239,247
1/1/14	30	206,239,247	-	-	-	-	-	-	85,933	9,061,439	197,263,741
2/1/14	30	197,263,741	-	-	-	-	-	-	82,193	9,061,439	188,284,495
3/1/14	30	188,284,495	-	-	-	-	-	-	78,452	9,061,439	179,301,508
4/1/14	30	179,301,508	-	-	-	-	-	-	74,709	29,910,416	149,465,801
5/1/14	30	149,465,801	-	-	-	-	-	-	62,277	29,910,416	119,617,662
6/1/14	30	119,617,662	-	-	-	-	-	-	49,841	29,910,416	89,757,086
7/1/14	30	89,757,086	-	-	-	-	-	-	37,399	41,020,571	48,773,914
8/1/14	30	48,773,914	-	-	-	-	-	-	20,322	41,020,571	7,773,665
9/1/14	30	7,773,665	-	-	33,244,650	-	-	33,244,650	3,239	41,020,571	983
10/1/14	30	983	-	-	27,385,245	-	-	27,385,245	0	27,385,245	983
11/1/14	30	983	-	-	15,332,222	12,053,024	-	27,385,245	0	27,385,245	984
12/1/14	30	984	-	-	-	27,385,245	-	27,385,245	0	27,385,245	984
1/1/15	30	984	-	-	-	10,209,114	-	10,209,114	0	10,209,114	984
2/1/15	30	984	-	-	-	10,209,114	-	10,209,114	0	10,209,114	985
3/1/15	30	985	-	-	-	10,209,114	-	10,209,114	0	10,209,114	985
4/1/15	30	985	-	-	-	35,140,824	-	35,140,824	0	35,140,824	986
5/1/15	30	986	-	-	-	35,140,824	-	35,140,824	0	35,140,824	986
6/1/15	30	986	-	-	-	35,140,824	-	35,140,824	0	35,140,824	986
7/1/15	30	986	-	-	-	30,057,730	-	30,057,730	0	30,057,730	987
8/1/15	30	987	-	-	-	30,057,730	-	30,057,730	0	30,057,730	987
9/1/15	30	987	-	-	-	30,057,730	-	30,057,730	0	30,057,730	988
10/1/15	30	988	-	-	-	13,452,596	-	13,452,596	0	13,452,596	988
11/1/15	30	988	-	-	-	13,452,596	-	13,452,596	0	13,452,596	988
12/1/15	30	988	-	-	-	13,452,596	-	13,452,596	0	13,452,596	989
1/1/16	30	989	-	-	-	-	-	-	0	-	989
2/1/16	30	989	-	-	-	-	-	-	0	-	990
3/1/16	30	990	-	-	-	-	-	-	0	-	990
4/1/16	30	990	-	-	-	-	-	-	0	-	991
5/1/16	30	991	-	-	-	-	-	-	0	-	991
6/1/16	30	991	-	-	-	-	-	-	0	-	991
7/1/16	30	991	-	-	-	-	-	-	0	-	992
8/1/16	30	992	-	-	-	-	-	-	0	-	992
9/1/16	30	992	-	-	-	-	-	-	0	-	993
10/1/16	30	993	-	-	-	-	-	-	0	-	993
11/1/16	30	993	-	-	-	-	-	-	0	-	993
12/1/16	30	993	-	-	-	-	-	-	0	-	994
1/1/17	30	994	-	-	-	-	-	-	0	-	994
2/1/17	30	994	-	-	-	-	-	-	0	-	995
3/1/17	30	995	-	-	-	-	-	-	0	-	995
4/1/17	30	995	-	-	-	-	-	-	0	-	996

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

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
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 6-9	-	-	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 - Current Market**

TAX-EXEMPT CURRENT INTEREST BONDS

Date	Notional	Principal	Proceeds	Coupon	Yield	Price	Interest	Total Debt Service	Annual Debt Service
Total		356,159,159	356,159,159				560,192,878	916,352,037	916,352,037
12/1/12									
6/1/13	356,159,159						11,738,500	11,738,500	
12/1/13	356,159,159	-	-	3.08%	3.080%	100.00	11,738,500	11,738,500	23,477,000
6/1/14	356,159,159						11,738,500	11,738,500	
12/1/14	356,159,159	-	-	3.53%	3.530%	100.00	11,738,500	11,738,500	23,477,000
6/1/15	356,159,159						11,738,500	11,738,500	
12/1/15	356,159,159	-	-	3.82%	3.820%	100.00	11,738,500	11,738,500	23,477,000
6/1/16	356,159,159						11,738,500	11,738,500	
12/1/16	356,159,159	-	-	4.12%	4.120%	100.00	11,738,500	11,738,500	23,477,000
6/1/17	356,159,159						11,738,500	11,738,500	
12/1/17	356,159,159	-	-	4.43%	4.430%	100.00	11,738,500	11,738,500	23,477,000
6/1/18	356,159,159						11,738,500	11,738,500	
12/1/18	356,159,159	-	-	4.70%	4.700%	100.00	11,738,500	11,738,500	23,477,000
6/1/19	356,159,159						11,738,500	11,738,500	
12/1/19	356,159,159	-	-	4.95%	4.950%	100.00	11,738,500	11,738,500	23,477,000
6/1/20	356,159,159						11,738,500	11,738,500	
12/1/20	356,159,159	-	-	5.18%	5.180%	100.00	11,738,500	11,738,500	23,477,000
6/1/21	356,159,159						11,738,500	11,738,500	
12/1/21	356,159,159	-	-	5.39%	5.390%	100.00	11,738,500	11,738,500	23,477,000
6/1/22	356,159,159						11,738,500	11,738,500	
12/1/22	356,159,159	1,803,932	1,803,932	5.58%	5.580%	100.00	11,738,500	13,542,432	25,280,932
6/1/23	354,355,227						11,688,170	11,688,170	
12/1/23	354,355,227	2,442,813	2,442,813	5.73%	5.730%	100.00	11,688,170	14,130,984	25,819,154
6/1/24	351,912,414						11,618,184	11,618,184	
12/1/24	351,912,414	4,548,150	4,548,150	5.87%	5.870%	100.00	11,618,184	16,166,334	27,784,517
6/1/25	347,364,264						11,484,696	11,484,696	
12/1/25	347,364,264	6,464,237	6,464,237	6.00%	6.000%	100.00	11,484,696	17,948,933	29,433,628
6/1/26	340,900,027						11,290,769	11,290,769	
12/1/26	340,900,027	8,945,986	8,945,986	6.09%	6.090%	100.00	11,290,769	20,236,754	31,527,523
6/1/27	331,954,041						11,018,363	11,018,363	
12/1/27	331,954,041	11,360,490	11,360,490	6.18%	6.180%	100.00	11,018,363	22,378,853	33,397,216
6/1/28	320,593,551						10,667,324	10,667,324	
12/1/28	320,593,551	15,230,971	15,230,971	6.26%	6.260%	100.00	10,667,324	25,898,295	36,565,619
6/1/29	305,362,580						10,190,595	10,190,595	
12/1/29	305,362,580	18,039,453	18,039,453	6.34%	6.340%	100.00	10,190,595	28,230,048	38,420,643
6/1/30	287,323,127						9,618,744	9,618,744	
12/1/30	287,323,127	21,792,040	21,792,040	6.42%	6.420%	100.00	9,618,744	31,410,784	41,029,528
6/1/31	265,531,088						8,919,220	8,919,220	
12/1/31	265,531,088	24,726,062	24,726,062	6.51%	6.510%	100.00	8,919,220	33,645,281	42,564,501
6/1/32	240,805,026						8,114,386	8,114,386	
12/1/32	240,805,026	28,894,073	28,894,073	6.59%	6.590%	100.00	8,114,386	37,008,459	45,122,846
6/1/33	211,910,953						7,162,327	7,162,327	
12/1/33	211,910,953	33,007,267	33,007,267	6.65%	6.650%	100.00	7,162,327	40,169,594	47,331,921
6/1/34	178,903,685						6,064,835	6,064,835	
12/1/34	178,903,685	-	-	6.70%	6.700%	100.00	6,064,835	6,064,835	12,129,670
6/1/35	178,903,685						6,064,835	6,064,835	
12/1/35	178,903,685	-	-	6.78%	6.780%	100.00	6,064,835	6,064,835	12,129,670
6/1/36	178,903,685						6,064,835	6,064,835	
12/1/36	178,903,685	-	-	6.78%	6.780%	100.00	6,064,835	6,064,835	12,129,670
6/1/37	178,903,685						6,064,835	6,064,835	
12/1/37	178,903,685	-	-	6.78%	6.780%	100.00	6,064,835	6,064,835	12,129,670
6/1/38	178,903,685						6,064,835	6,064,835	
12/1/38	178,903,685	-	-	6.78%	6.780%	100.00	6,064,835	6,064,835	12,129,670
6/1/39	178,903,685						6,064,835	6,064,835	
12/1/39	178,903,685	-	-	6.78%	6.780%	100.00	6,064,835	6,064,835	12,129,670
6/1/40	178,903,685						6,064,835	6,064,835	
12/1/40	178,903,685	41,212,753	41,212,753	6.78%	6.780%	100.00	6,064,835	47,277,588	53,342,423
6/1/41	137,690,932						4,667,723	4,667,723	
12/1/41	137,690,932	52,348,478	52,348,478	6.78%	6.780%	100.00	4,667,723	57,016,201	61,683,924
6/1/42	85,342,454						2,893,109	2,893,109	
12/1/42	85,342,454	58,086,282	58,086,282	6.78%	6.780%	100.00	2,893,109	60,979,391	63,872,500
6/1/43	27,256,172						923,984	923,984	
12/1/43	27,256,172	27,256,172	27,256,172	6.78%	6.780%	100.00	923,984	28,180,156	29,104,140
6/1/44	-						-	-	
12/1/44	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/45	-						-	-	
12/1/45	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/46	-						-	-	
12/1/46	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/47	-						-	-	
12/1/47	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/48	-						-	-	
12/1/48	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/49	-						-	-	
12/1/49	-	-	-	6.78%	6.780%	100.00	-	-	-
6/1/50	-						-	-	
12/1/50	-	-	-	6.78%	6.780%	100.00	-	-	-

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

TAX-EXEMPT CAPITAL APPRECIATION BONDS

Date	Notional	Initial Proceeds	Yield	Price	Accreted Interest	Maturity Value
Total		40,792,688			207,635,128	248,427,817
12/1/12	40,792,688					
6/1/13	42,320,517					
12/1/13	43,905,729	-	3.830%	96.28	-	-
6/1/14	45,550,098					
12/1/14	47,255,883	-	4.280%	91.88	-	-
6/1/15	49,026,260					
12/1/15	50,862,489	-	4.570%	87.32	-	-
6/1/16	52,767,004					
12/1/16	54,743,574	-	4.870%	82.49	-	-
6/1/17	56,794,038					
12/1/17	58,920,661	-	5.180%	77.44	-	-
6/1/18	61,127,845					
12/1/18	63,417,640	-	5.450%	72.42	-	-
6/1/19	65,792,889					
12/1/19	68,256,884	-	5.700%	67.47	-	-
6/1/20	70,813,789					
12/1/20	73,465,540	-	5.930%	62.66	-	-
6/1/21	76,217,527					
12/1/21	79,071,704	-	6.140%	58.03	-	-
6/1/22	82,033,094					
12/1/22	85,105,716	-	6.330%	53.62	-	-
6/1/23	88,293,642					
12/1/23	91,600,707	-	6.480%	49.58	-	-
6/1/24	95,031,996					
12/1/24	98,590,559	-	6.620%	45.77	-	-
6/1/25	102,283,306					
12/1/25	106,113,830	-	6.750%	42.19	-	-
6/1/26	110,088,413					
12/1/26	114,211,444	-	6.840%	39.00	-	-
6/1/27	118,489,874					
12/1/27	122,927,459	-	6.930%	35.99	-	-
6/1/28	127,531,188					
12/1/28	132,308,259	-	7.010%	33.21	-	-
6/1/29	137,262,943					
12/1/29	142,404,535	-	7.090%	30.59	-	-
6/1/30	147,738,398					
12/1/30	153,271,439	-	7.170%	28.14	-	-
6/1/31	159,012,343					
12/1/31	164,967,654	-	7.260%	25.80	-	-
6/1/32	171,146,663					
12/1/32	177,556,377	-	7.340%	23.65	-	-
6/1/33	184,206,299					
12/1/33	191,105,735	-	7.400%	21.74	-	-
6/1/34	198,262,943					
12/1/34	205,688,902	7,618,208	7.450%	20.00	30,465,216	38,083,424
6/1/35	173,890,586					
12/1/35	180,412,481	7,053,313	7.480%	18.47	31,134,629	38,187,942
6/1/36	147,561,499					
12/1/36	153,099,281	6,678,251	7.490%	17.12	32,325,669	39,003,920
6/1/37	118,379,978					
12/1/37	122,826,129	6,399,605	7.500%	15.87	33,925,566	40,325,171
6/1/38	85,600,829					
12/1/38	88,818,124	6,236,406	7.510%	14.71	36,167,933	42,404,340
6/1/39	48,159,507					
12/1/39	49,970,650	6,005,640	7.520%	13.63	38,069,218	44,074,859
6/1/40	6,117,786					
12/1/40	6,348,161	801,265	7.530%	12.62	5,546,896	6,348,161
6/1/41	-					
12/1/41	-		0.000%	-	-	-
6/1/42	-					
12/1/42	-		0.000%	-	-	-
6/1/43	-					
12/1/43	-		0.000%	-	-	-
6/1/44	-					
12/1/44	-		0.000%	-	-	-
6/1/45	-					
12/1/45	-		0.000%	-	-	-
6/1/46	-					
12/1/46	-		0.000%	-	-	-
6/1/47	-					
12/1/47	-		0.000%	-	-	-
6/1/48	-					
12/1/48	-		0.000%	-	-	-
6/1/49	-					
12/1/49	-		0.000%	-	-	-
6/1/50	-					
12/1/50	-		0.000%	-	-	-

**Knik Arm Bridge and Toll Authority
 Federalization of Sections 2-5, with TIFIA Optimization
 Private Model - Availability Payment Structure - Current Market**

TAX-EXEMPT CAPITALIZED INTEREST FUND

Date	Beginning Balance	Deposits	Interest 0.50%	Import From DSRF Fund	Interest Draws	Ending Balance
Total		66,277,301	581,133	3,572,567	70,431,001	
12/1/12		66,277,301				66,277,301
6/1/13	66,277,301		165,693	595,428	11,738,500	55,299,922
12/1/13	55,299,922		138,250	595,428	11,738,500	44,295,099
6/1/14	44,295,099		110,738	595,428	11,738,500	33,262,765
12/1/14	33,262,765		83,157	595,428	11,738,500	22,202,849
6/1/15	22,202,849		55,507	595,428	11,738,500	11,115,284
12/1/15	11,115,284		27,788	595,428	11,738,500	-
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	-		-	-	-	-
6/1/49	-		-	-	-	-
12/1/49	-		-	-	-	-
6/1/50	-		-	-	-	-
12/1/50	-		-	-	-	-

**Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market**

TAX-EXEMPT 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		39,695,185	36,916,522	(3,572,567)	(73,039,140)	(73,039,140)	
12/1/12		39,695,185					39,695,185
6/1/13	39,695,185		595,428	(595,428)	-	-	39,695,185
12/1/13	39,695,185		595,428	(595,428)	-	-	39,695,185
6/1/14	39,695,185		595,428	(595,428)	-	-	39,695,185
12/1/14	39,695,185		595,428	(595,428)	-	-	39,695,185
6/1/15	39,695,185		595,428	(595,428)	-	-	39,695,185
12/1/15	39,695,185		595,428	(595,428)	-	-	39,695,185
6/1/16	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/16	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/17	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/17	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/18	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/18	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/19	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/19	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/20	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/20	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/21	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/21	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/22	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/22	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/23	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/23	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/24	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/24	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/25	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/25	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/26	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/26	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/27	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/27	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/28	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/28	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/29	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/29	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/30	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/30	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/31	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/31	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/32	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/32	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/33	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/33	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/34	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/34	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/35	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/35	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/36	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/36	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/37	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/37	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/38	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/38	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/39	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/39	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/40	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/40	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/41	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/41	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/42	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/42	39,695,185		595,428	-	(595,428)	(1,190,856)	39,695,185
6/1/43	39,695,185		595,428	-	(595,428)	-	39,695,185
12/1/43	39,695,185		595,428	-	(40,290,612)	(40,886,040)	
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	-	-	-	-	-	-	-
6/1/49	-	-	-	-	-	-	-
12/1/49	-	-	-	-	-	-	-
6/1/50	-	-	-	-	-	-	-
12/1/50	-	-	-	-	-	-	-

Knik Arm Bridge and Toll Authority
 Federalization of Sections 2-5, with TIFIA Optimization
 Private Model - Availability Payment Structure - Current Market

PREPAID INTEREST FUND (PAID FROM EQUITY)

Date	Beginning Balance	Deposits	Interest 0.50%	Import From DSRF Fund	Tax-Exempt Interest Draws	Taxable Interest Draws	Ending Balance
Total		1,105,300	45,051	-	1,150,350	-	
12/1/12		1,105,300					1,105,300
6/1/13	1,105,300		2,763				1,108,063
12/1/13	1,108,063		2,770				1,110,833
6/1/14	1,110,833		2,777				1,113,610
12/1/14	1,113,610		2,784				1,116,394
6/1/15	1,116,394		2,791				1,119,185
12/1/15	1,119,185		2,798				1,121,983
6/1/16	1,121,983		2,805				1,124,788
12/1/16	1,124,788		2,812				1,127,600
6/1/17	1,127,600		2,819				1,130,419
12/1/17	1,130,419		2,826				1,133,245
6/1/18	1,133,245		2,833				1,136,078
12/1/18	1,136,078		2,840				1,138,918
6/1/19	1,138,918		2,847				1,141,766
12/1/19	1,141,766		2,854				1,144,620
6/1/20	1,144,620		2,862				1,147,482
12/1/20	1,147,482		2,869		1,150,350		-
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 - Current Market

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
Total	306,019,062		375,492,614		533,133,312	69,407,552	463,725,760	839,218,374	374,000	66,000	839,526,374	839,526,374	
12/1/12	-	-	-	-	-	-	-	-	-	-	-	-	-
6/1/13	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/13	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
6/1/14	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/14	39,438,269	-	-	4.750%	-	-	-	-	11,000	11,000	-	-	11,000
6/1/15	136,049,815	39,449,269	-	4.750%	936,920	936,920	-	-	-	-	-	-	40,386,189
12/1/15	130,530,978	176,436,004	-	4.750%	4,190,355	4,190,355	-	-	11,000	11,000	-	-	180,637,359
6/1/16	-	311,168,337	-	4.750%	7,390,248	7,390,248	-	-	-	-	-	-	318,558,585
12/1/16	-	318,558,585	-	4.750%	7,565,766	7,565,766	-	-	11,000	11,000	-	-	326,135,351
6/1/17	-	326,135,351	-	4.750%	7,745,715	7,745,715	-	-	-	-	-	-	333,881,066
12/1/17	-	333,881,066	-	4.750%	7,929,675	7,929,675	-	-	11,000	11,000	-	-	341,821,741
6/1/18	-	341,821,741	-	4.750%	8,118,266	8,118,266	-	-	-	-	-	-	349,940,008
12/1/18	-	349,940,008	-	4.750%	8,311,075	8,311,075	-	-	11,000	11,000	-	-	358,262,083
6/1/19	-	358,262,083	-	4.750%	8,508,724	8,508,724	-	-	-	-	-	-	366,770,807
12/1/19	-	366,770,807	-	4.750%	8,710,807	8,710,807	-	-	11,000	11,000	-	-	375,492,614
6/1/20	-	375,492,614	-	4.750%	8,917,950	-	8,917,950	8,917,950	-	-	8,917,950	-	375,492,614
12/1/20	-	375,492,614	100,000	4.750%	8,917,950	-	8,917,950	9,017,950	11,000	-	9,028,950	17,946,899	375,392,614
6/1/21	-	375,392,614	-	4.750%	8,915,575	-	8,915,575	8,915,575	-	-	8,915,575	-	375,392,614
12/1/21	-	375,392,614	100,000	4.750%	8,915,575	-	8,915,575	9,015,575	11,000	-	9,026,575	17,942,149	375,292,614
6/1/22	-	375,292,614	-	4.750%	8,913,200	-	8,913,200	8,913,200	-	-	8,913,200	-	375,292,614
12/1/22	-	375,292,614	100,000	4.750%	8,913,200	-	8,913,200	9,013,200	11,000	-	9,024,200	17,937,399	375,192,614
6/1/23	-	375,192,614	-	4.750%	8,910,825	-	8,910,825	8,910,825	-	-	8,910,825	-	375,192,614
12/1/23	-	375,192,614	100,000	4.750%	8,910,825	-	8,910,825	9,010,825	11,000	-	9,021,825	17,932,649	375,092,614
6/1/24	-	375,092,614	-	4.750%	8,908,450	-	8,908,450	8,908,450	-	-	8,908,450	-	375,092,614
12/1/24	-	375,092,614	100,000	4.750%	8,908,450	-	8,908,450	9,008,450	11,000	-	9,019,450	17,927,899	374,992,614
6/1/25	-	374,992,614	-	4.750%	8,906,075	-	8,906,075	8,906,075	-	-	8,906,075	-	374,992,614
12/1/25	-	374,992,614	100,000	4.750%	8,906,075	-	8,906,075	9,006,075	11,000	-	9,017,075	17,923,149	374,892,614
6/1/26	-	374,892,614	-	4.750%	8,903,700	-	8,903,700	8,903,700	-	-	8,903,700	-	374,892,614
12/1/26	-	374,892,614	100,000	4.750%	8,903,700	-	8,903,700	9,003,700	11,000	-	9,014,700	17,918,399	374,792,614
6/1/27	-	374,792,614	-	4.750%	8,901,325	-	8,901,325	8,901,325	-	-	8,901,325	-	374,792,614
12/1/27	-	374,792,614	100,000	4.750%	8,901,325	-	8,901,325	9,001,325	11,000	-	9,012,325	17,913,649	374,692,614
6/1/28	-	374,692,614	-	4.750%	8,898,950	-	8,898,950	8,898,950	-	-	8,898,950	-	374,692,614
12/1/28	-	374,692,614	100,000	4.750%	8,898,950	-	8,898,950	8,998,950	11,000	-	9,009,950	17,908,899	374,592,614
6/1/29	-	374,592,614	-	4.750%	8,896,575	-	8,896,575	8,896,575	-	-	8,896,575	-	374,592,614
12/1/29	-	374,592,614	100,000	4.750%	8,896,575	-	8,896,575	8,996,575	11,000	-	9,007,575	17,904,149	374,492,614
6/1/30	-	374,492,614	-	4.750%	8,894,200	-	8,894,200	8,894,200	-	-	8,894,200	-	374,492,614
12/1/30	-	374,492,614	100,000	4.750%	8,894,200	-	8,894,200	8,994,200	11,000	-	9,005,200	17,899,399	374,392,614
6/1/31	-	374,392,614	-	4.750%	8,891,825	-	8,891,825	8,891,825	-	-	8,891,825	-	374,392,614
12/1/31	-	374,392,614	100,000	4.750%	8,891,825	-	8,891,825	8,991,825	11,000	-	9,002,825	17,894,649	374,292,614
6/1/32	-	374,292,614	-	4.750%	8,889,450	-	8,889,450	8,889,450	-	-	8,889,450	-	374,292,614
12/1/32	-	374,292,614	100,000	4.750%	8,889,450	-	8,889,450	8,989,450	11,000	-	9,000,450	17,889,899	374,192,614
6/1/33	-	374,192,614	-	4.750%	8,887,075	-	8,887,075	8,887,075	-	-	8,887,075	-	374,192,614
12/1/33	-	374,192,614	100,000	4.750%	8,887,075	-	8,887,075	8,987,075	11,000	-	8,998,075	17,885,149	374,092,614
6/1/34	-	374,092,614	-	4.750%	8,884,700	-	8,884,700	8,884,700	-	-	8,884,700	-	374,092,614
12/1/34	-	374,092,614	100,000	4.750%	8,884,700	-	8,884,700	8,984,700	11,000	-	8,995,700	17,880,399	373,992,614

**Knik Arm Bridge and Toll Authority
 Federalization of Sections 2-5, with TIFIA Optimization
 Private Model - Availability Payment Structure - Current Market**

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	-	373,992,614	-	4.750%	8,882,325	-	8,882,325	8,882,325	-	-	8,882,325	-	373,992,614
12/1/35	-	373,992,614	100,000	4.750%	8,882,325	-	8,882,325	8,982,325	11,000	-	8,993,325	17,875,649	373,892,614
6/1/36	-	373,892,614	-	4.750%	8,879,950	-	8,879,950	8,879,950	-	-	8,879,950	-	373,892,614
12/1/36	-	373,892,614	100,000	4.750%	8,879,950	-	8,879,950	8,979,950	11,000	-	8,990,950	17,870,899	373,792,614
6/1/37	-	373,792,614	-	4.750%	8,877,575	-	8,877,575	8,877,575	-	-	8,877,575	-	373,792,614
12/1/37	-	373,792,614	100,000	4.750%	8,877,575	-	8,877,575	8,977,575	11,000	-	8,988,575	17,866,149	373,692,614
6/1/38	-	373,692,614	-	4.750%	8,875,200	-	8,875,200	8,875,200	-	-	8,875,200	-	373,692,614
12/1/38	-	373,692,614	100,000	4.750%	8,875,200	-	8,875,200	8,975,200	11,000	-	8,986,200	17,861,399	373,592,614
6/1/39	-	373,592,614	-	4.750%	8,872,825	-	8,872,825	8,872,825	-	-	8,872,825	-	373,592,614
12/1/39	-	373,592,614	100,000	4.750%	8,872,825	-	8,872,825	8,972,825	11,000	-	8,983,825	17,856,649	373,492,614
6/1/40	-	373,492,614	-	4.750%	8,870,450	-	8,870,450	8,870,450	-	-	8,870,450	-	373,492,614
12/1/40	-	373,492,614	100,000	4.750%	8,870,450	-	8,870,450	8,970,450	11,000	-	8,981,450	17,851,899	373,392,614
6/1/41	-	373,392,614	-	4.750%	8,868,075	-	8,868,075	8,868,075	-	-	8,868,075	-	373,392,614
12/1/41	-	373,392,614	100,000	4.750%	8,868,075	-	8,868,075	8,968,075	11,000	-	8,979,075	17,847,149	373,292,614
6/1/42	-	373,292,614	-	4.750%	8,865,700	-	8,865,700	8,865,700	-	-	8,865,700	-	373,292,614
12/1/42	-	373,292,614	100,000	4.750%	8,865,700	-	8,865,700	8,965,700	11,000	-	8,976,700	17,842,399	373,192,614
6/1/43	-	373,192,614	-	4.750%	8,863,325	-	8,863,325	8,863,325	-	-	8,863,325	-	373,192,614
12/1/43	-	373,192,614	69,006,756	4.750%	8,863,325	-	8,863,325	77,870,081	11,000	-	77,881,081	86,744,405	304,185,858
6/1/44	-	304,185,858	-	4.750%	7,224,414	-	7,224,414	7,224,414	-	-	7,224,414	-	304,185,858
12/1/44	-	304,185,858	70,137,177	4.750%	7,224,414	-	7,224,414	77,361,591	11,000	-	77,372,591	84,597,005	234,048,681
6/1/45	-	234,048,681	-	4.750%	5,558,656	-	5,558,656	5,558,656	-	-	5,558,656	-	234,048,681
12/1/45	-	234,048,681	75,128,961	4.750%	5,558,656	-	5,558,656	80,687,617	11,000	-	80,698,617	86,257,273	158,919,721
6/1/46	-	158,919,721	-	4.750%	3,774,343	-	3,774,343	3,774,343	-	-	3,774,343	-	158,919,721
12/1/46	-	158,919,721	77,649,135	4.750%	3,774,343	-	3,774,343	81,423,478	11,000	-	81,434,478	85,208,821	81,270,586
6/1/47	-	81,270,586	-	4.750%	1,930,176	-	1,930,176	1,930,176	-	-	1,930,176	-	81,270,586
12/1/47	-	81,270,586	81,270,586	4.750%	1,930,176	-	1,930,176	83,200,762	11,000	-	83,211,762	85,141,939	-
6/1/48	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/48	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
6/1/49	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/49	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
6/1/50	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/50	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
6/1/51	-	-	-	4.750%	-	-	-	-	-	-	-	-	-
12/1/51	-	-	-	4.750%	-	-	-	-	-	-	-	-	-

Knik Arm Bridge and Toll Authority
 Federalization of Sections 2-5, with TIFIA Optimization
 Private Model - Availability Payment Structure - Current Market

RATES										Market Move	0.00
Year	2/17/11 MMD	BBB- CIB Spread	BBB- CAB Spread	AA- CIB Spread	AA- CAB Spread	BBB- CIB Rate	BBB- CAB Rate	AA- CIB Rate	AA- CAB Rate		
2011	0.37	2.00	2.75	0.85	1.60	2.370%	3.120%	1.220%	1.970%		
2012	0.71	2.00	2.75	0.85	1.60	2.710%	3.460%	1.560%	2.310%		
2013	1.08	2.00	2.75	0.85	1.60	3.080%	3.830%	1.930%	2.680%		
2014	1.53	2.00	2.75	0.85	1.60	3.530%	4.280%	2.380%	3.130%		
2015	1.82	2.00	2.75	0.85	1.60	3.820%	4.570%	2.670%	3.420%		
2016	2.12	2.00	2.75	0.85	1.60	4.120%	4.870%	2.970%	3.720%		
2017	2.43	2.00	2.75	0.85	1.60	4.430%	5.180%	3.280%	4.030%		
2018	2.70	2.00	2.75	0.85	1.60	4.700%	5.450%	3.550%	4.300%		
2019	2.95	2.00	2.75	0.85	1.60	4.950%	5.700%	3.800%	4.550%		
2020	3.18	2.00	2.75	0.85	1.60	5.180%	5.930%	4.030%	4.780%		
2021	3.39	2.00	2.75	0.85	1.60	5.390%	6.140%	4.240%	4.990%		
2022	3.58	2.00	2.75	0.85	1.60	5.580%	6.330%	4.430%	5.180%		
2023	3.73	2.00	2.75	0.85	1.60	5.730%	6.480%	4.580%	5.330%		
2024	3.87	2.00	2.75	0.85	1.60	5.870%	6.620%	4.720%	5.470%		
2025	4.00	2.00	2.75	0.85	1.60	6.000%	6.750%	4.850%	5.600%		
2026	4.09	2.00	2.75	0.85	1.60	6.090%	6.840%	4.940%	5.690%		
2027	4.18	2.00	2.75	0.85	1.60	6.180%	6.930%	5.030%	5.780%		
2028	4.26	2.00	2.75	0.85	1.60	6.260%	7.010%	5.110%	5.860%		
2029	4.34	2.00	2.75	0.85	1.60	6.340%	7.090%	5.190%	5.940%		
2030	4.42	2.00	2.75	0.85	1.60	6.420%	7.170%	5.270%	6.020%		
2031	4.51	2.00	2.75	0.75	1.50	6.510%	7.260%	5.260%	6.010%		
2032	4.59	2.00	2.75	0.75	1.50	6.590%	7.340%	5.340%	6.090%		
2033	4.65	2.00	2.75	0.75	1.50	6.650%	7.400%	5.400%	6.150%		
2034	4.70	2.00	2.75	0.75	1.50	6.700%	7.450%	5.450%	6.200%		
2035	4.73	2.00	2.75	0.75	1.50	6.730%	7.480%	5.480%	6.230%		
2036	4.74	2.00	2.75	0.75	1.50	6.740%	7.490%	5.490%	6.240%		
2037	4.75	2.00	2.75	0.75	1.50	6.750%	7.500%	5.500%	6.250%		
2038	4.76	2.00	2.75	0.75	1.50	6.760%	7.510%	5.510%	6.260%		
2039	4.77	2.00	2.75	0.75	1.50	6.770%	7.520%	5.520%	6.270%		
2040	4.78	2.00	2.75	0.75	1.50	6.780%	7.530%	5.530%	6.280%		
2041	4.78	2.00		0.75	1.50	6.780%	-	5.530%	6.280%		
2042	4.78	2.00		0.75		6.780%	-	5.530%	-		

Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Current Market
General Inputs

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
Total		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

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- *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.*

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March 16, 2011

The Honorable Joe Thomas
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: SB 79 and 80

Dear Senator Thomas:

We appreciate your thoughtful questions and evident interest in the Knik Arm Bridge project. We take this opportunity to provide specific answers to your questions.

1. Your first item 1 includes the following questions.
 - *Why does KABATA need this broad spending authority if the purpose of the fund is to ensure the annual payment in order to attract lower cost financing?*

KABATA does not seek to, and SB 80 will not, expand KABATA's existing spending authority. AS 19.75.111(a)(1) limits KABATA's jurisdiction to "the Knik Arm Bridge and its appurtenant facilities." In the Record of Decision, the FHWA defined the Project to include the bridge and approximately 18 miles of connecting roadway. Future phases will include capacity improvements and a second connection in Anchorage to Ingra and Gambell Streets. We refer to these future appurtenant facilities collectively as "other KABATA project responsibilities."

The purpose of establishing in SB 80 a broad set of uses of the project reserve fund is to make it abundantly clear to the private party and its lenders that their beneficial interest in the project reserve fund cannot prevent use of surplus funds for other purposes of benefit to the State. It is not to expand KABATA's statutory authority.

To attract lower cost financing, the trust agreement governing the project reserve fund must set forth sources and uses of funds. The sources of funds in the project reserve will be the \$150 million appropriation, toll revenue, and earnings

on deposited funds. The funds in the project reserve will be used according to an established order of priority for use. We anticipate that KABATA's normal overhead and administrative costs and the availability payments will receive top priority. Reserves also need to be built for project contingencies. The trust agreement will also establish the conditions under which KABATA may use surplus funds – i.e. funds not needed for these higher priority uses – for its other KABATA project responsibilities, for release of the \$150 million (plus interest) back to the General Fund and for other eligible transportation purposes as decided by the State Legislature. During the procurement KABATA will develop the precise terms and conditions of the trust agreement for the project reserve fund, taking into consideration input from the proposers, their lenders and the ratings agencies.

- *What situations would trigger an obligation to make termination payments, and how large would those payments be?*

Concession agreements involving private financial investment always include termination payments if the concession is terminated before the end of the concession term. It is impossible to raise private debt and equity financing without termination payment provisions.

The amount of termination payments generally falls into three categories. The first category includes termination for convenience by the State or termination due to material uncured public party default. For this category, the payment is intended to compensate the private party for its lost business enterprise (similar to the constitutional requirement for just compensation upon condemnation of private property). It includes an amount sufficient to repay outstanding project debt, outstanding equity investment and the contractual rate of return on the equity investment.

The second category is termination due to uncured, material private party default. The termination payment typically results in loss of the private equity and coverage for less than all (e.g. 80 – 85%) of the outstanding project debt.

The third category is termination for stated reasons beyond either party's control. These can include continuation of excusable delays (e.g. due to earthquake) for an extended period of time, or a final court judgment halting the project or invalidating the public-private agreement. The termination compensation is basically calculated to return the private party to the position it was in before entering into the contract – i.e. the amount of its outstanding project debt, return of expended equity plus a rate of return on expended equity up to the date of termination (sometimes less than the rate stated in the proposal).

Although KABATA will need to take all termination possibilities into account in negotiating the public-private agreement, it is unlikely that any will occur. While the foregoing termination payments can be large, KABATA and the State will have received the value of the developed project in return. In addition, KABATA

would have the authority and capacity to issue toll revenue bonds to raise all or a portion of the money needed to make the termination payment.

It is rare that any termination compensation is provided if termination is due to the bankruptcy of the private party, and the public-private agreement will be structured to preclude or minimize the possibility.

- *If KABATA is not successful in entering into a contract with a private partner to build and operate the bridge, will the state have to refund money KABATA received from the federal government, what would be the refund amount, and could the reserve funds be used for that purpose?*

Title 23 requires that the ADOT&PF pay back any Preliminary Engineering to FHWA if the project has not advanced to the Real Estate or Construction phase within 10 years from the date the project was authorized. Likewise, real estate funds must be paid back to FHWA if the Construction phase of work has not commenced within 20 years of the date the funding for real estate acquisition was made available. The funding for real estate acquisition has not yet been made available, but is imminent.

The refund amount would depend upon the amount of federal funds expended at the time. To date, \$57,043,987 of federal Title 23 highway funds have been obligated to the project and approximately \$46 million have been expended (excluding State matching funds).

In the unlikely event that FHWA requested that funds be repaid, they would not be paid from the project reserve fund. This is because under SB 80 the \$150 million appropriation will not have been released to the project reserve fund. The appropriation is to be held by the Department of Revenue at least until a public-private partnership agreement is signed. Under the circumstances described, no signing will have occurred.

- *Does the existing statute or SB 80 authorize KABATA to be involved in projects other than the Knik Arm Bridge?*

The existing statute limits KABATA's jurisdiction to "the Knik Arm Bridge and its appurtenant facilities." AS 19.75.111(a)(1). SB 80 does not change the scope of jurisdiction. For further discussion, see the response to the 1st question under this item 1.

- *What other public entities and projects might be funded with the reserve?*

Federal law and regulations limit the permissible uses of surplus toll revenues from transportation projects funded in whole or in part with federal-aid highway funds to "any purpose for which Federal funds may be obligated by a State under this title [23]," including roads, bridges, trails, transit, ferries, etc. 23 U.S.C. §129(a)(3). The Knik Arm Crossing and the toll revenues from it are subject to

these laws and regulations. Therefore, surplus funds in the reserve could be used to fund or finance other KABATA project responsibilities (described above) and other federally eligible transportation purposes as determined by the State Legislature.

We believe, however, that surplus funds used to repay the \$150 million appropriation, as well as a reasonable interest rate on the appropriation, could be returned to the General Fund free of these federal restrictions on use. KABATA will work with the Department of Revenue and the FHWA on arrangements that will facilitate this result.

- *Would the state have to guarantee payment of monetary obligations KABATA may incur in connection with these new projects, in accordance with page 2, lines 17-20 of SB 80?*

No. SB 80 creates no State guarantee of any monetary obligations of KABATA. To do so would be unconstitutional. Rather, SB 80 would mean that although a monetary obligation of KABATA under a public-private partnership agreement – including one for a future, new project – would be treated as a contractual obligation of the state, it could only be satisfied from State funds to the extent a future State Legislature chooses to appropriate funds needed to pay the obligation.

KABATA has no plans to enter into such a future public-private partnership agreement for meeting other KABATA project responsibilities and its statutory authority under AS 19.75 is limited to the Knik Arm Bridge and appurtenant facilities, constraining its ability to contract for other projects. When the time comes, KABATA's board would evaluate whether it is in the public interest to use such an agreement or some other method of contracting for meeting other KABATA project responsibilities.

- *What is the legislature's role in approving projects the authority may wish to undertake with excess reserves or earnings?*

The central reason KABATA is requesting that SB 80 authorize the use for other transportation purposes of reserve funds in excess of those needed to meet project financial obligations is to assure that KABATA's Board and the State Legislature have maximum freedom to decide when, where and how to use the excess funds. We do not want the private party or its lenders to restrict such uses.

Those future uses will be subject to commitments in the Record of Decision for the Knik Arm Crossing. Because AS 19.75 assigns to KABATA the other KABATA project responsibilities and the Record of Decisions and EIS for the Knik Arm Crossing call for these future capacity improvements, it can be expected that the KABATA Board will allocate such future surplus revenues first toward meeting these responsibilities.

The State Legislature will control use of excess revenues for Title 23 eligible transportation projects beyond the other KABATA project responsibilities, as explained at the 1st and 4th questions above.

1. Your second item 1 sets forth the following question.

- *Why are earnings not retained in the reserve fund, or deposited in the state General Fund if they exceed the amount needed to meet the reserve fund requirement.*

Interest earnings will be retained in the project reserve fund and will be subject to the same uses and priority of uses as all other funds in the reserve.

KABATA sized the \$150 million appropriation request based on the assumption that earnings would be retained. The financial projections indicate that interest earnings on the \$150 million appropriation will be needed in order to keep the project reserve fund at a level that will not require a request for an additional appropriation. Thus, retention of the earnings in the reserve fund until there are surplus funds will enhance the ability to attract low cost, highly rated financing for the project.

Once the reserve fund builds back up to the level that there are excess funds not needed for the project, then interest earnings, like all other surplus funds, will be freed up for other KABATA project responsibilities, repayment to the General Fund of the \$150 million appropriation and interest thereon, and other eligible transportation purposes, as described in the 5th and 7th questions under the first item 1 above.

2. Your item 2 includes the following questions.

- *Please explain what criteria the authority will use to determine if the reserve fund is sufficient.*

KABATA's primary criterion will be to set the minimum reserve requirement at the lowest level consistent with obtaining the best financing terms for the project. KABATA's Board and staff will be working with our financial and legal advisors and will consider input from proposers, their lenders and rating agencies to determine this number.

For KABATA's financial plan, we have assumed a \$50 million minimum reserve requirement. The financial plan is a pro forma model from the private perspective on the transaction. The minimum reserve requirement in the plan is a hypothetical floor for modeling purposes only, and is only indicative of the final structure for the project reserve fund.

We point out that the minimum reserve requirement is different from the maximum reserve requirement. The latter is the floor above which available funds would be treated as surplus funds that could be used for other KABATA

project responsibilities, for repaying to the General Fund the \$150 million reserve appropriation, plus interest, and for other eligible transportation projects chosen by the State Legislature. For KABATA's financial planning purposes, we have assumed a \$150 million maximum reserve requirement once the project achieves annual toll revenues at least equal to annual availability payments.

The minimum and maximum requirements will be refined as the project nears the close of financing.

- *Why does the bill not establish \$150 million as the floor for use of the reserve fund for other purposes, or return excess reserves to the General Fund?*

Like the minimum reserve requirement, KABATA's objective is to set the maximum reserve requirement, as described in the immediately preceding paragraph, as low as possible consistent with obtaining the best financing for the project. KABATA believes it is unwise to set a fixed amount as the floor in the bill because it will not be tested and verified by actual financial market conditions. The \$150 million floor in the pro forma financing plan is a hypothetical threshold for modeling purposes only, and is only indicative of the final structure for the project reserve. If setting a floor higher than \$150 million were to prove beneficial in reducing the overall cost of debt and equity financing for the project, the flexibility to do so would be advantageous to the State. Likewise, if setting a floor lower than \$150 million can achieve optimal financing for the project, the flexibility to do so would be to the State's advantage.

2. Your item 3 includes the following questions.

- *Can the authority board of directors lower the toll to reduce or eliminate this excess revenue?*

Yes, as provided by AS 19.75.111(a)(10). The board has the exclusive authority to set and collect tolls, as provided by AS 19.75.111(b)(6).

KABATA expects that the public-private agreement and related financing agreements will require KABATA to follow toll rate and toll revenue covenants in order to meet coverage ratios for the availability payments.

- *Would excess revenue return to the General Fund for appropriation by the legislature, and through what mechanism?*

For potential uses of excess revenue, please refer to the answers to the 5th and 7th questions under your first item 1 above.

The mechanism for return of excess revenue (i.e. fund balances in excess of the maximum reserve fund requirement) presumably would be through the normal legislative process. Under SB 80 KABATA would make annual reports to the State Legislature and Governor on the status of the project reserve fund, giving the State Legislature the information it will need to decide on legislation to use

and apply the excess reserve funds to projects of their choosing. Consistent with SB 80, the reserve fund terms and conditions will explicitly authorize use of surplus funds for non-project purposes without need for consent of the private party or its lenders.

4. Your item 4 sets forth the following question.

- *Would the existing "pledge of the state" in AS 19.75.251 limit future legislatures' ability to reappropriate fund earnings or excess reserves from the authority to other state programs?*

No. The very purpose of authorizing use of surplus funds in the project reserve for non-project purposes is to assure that the State Legislature has maximum flexibility, consistent with federal regulations and the commitments in the Record of Decision and EIS, to decide on use of the surplus funds free from interference by the private party or its lenders.

5. Your item 5 sets forth the following question.

- *What are the implications for the state if KABATA receives TIFIA credit based on that document [the TIFIA Letter of Interest]?*

The TIFIA letter of interest is only an expression of interest and is not a binding commitment. KABATA submitted it to the TIFIA program for the benefit of the project and the eventual private party. KABATA would not be the borrower. The private party, if it chooses to use TIFIA, will be the borrower and negotiate its own terms and conditions with the FHWA, which administers the TIFIA program. KABATA will not be bound by the credit agreement between the private party and the FHWA.

Regardless of whether the private party uses TIFIA financing, as provided in SB 80, KABATA would request an appropriation if the reserve balance falls below the minimum reserve requirement. The amount of the appropriation would be the amount necessary to restore the fund balance to the minimum reserve requirement. For a further explanation of how the minimum reserve requirement will be set, see discussion at the 1st question under your item 2 above.

6. Your item 6 includes the following questions.

- *What is the amount of remaining KABATA funds?*

The remaining federal Title 23 highway funds previously appropriated but not obligated to the Project are \$55,528,355. The State matches just over 9% of eligible costs, for total Title 23 funding of \$61,040,294. The \$55.5 million figure is included in the sources in the pro forma financing plan within the \$112.6 million figure designated *Federal* under Public Funds.

- *Can the money [i.e. KABATA's remaining federal funds] be used to cover future administrative costs, which the TIFIA LOI documents estimate will be \$3 million/year adjusted for inflation, rather than using toll revenue backed by the state to pay administrative costs?*

KABATA's remaining federal funds can be used to cover KABATA administrative costs during construction only. Federal Title 23 funds cannot be used for operations and maintenance post construction.

7. Your item 7 includes the following questions.

- *How many full-time and part-time jobs are anticipated in the actual operation and maintenance of the bridge and toll facilities, who will employ those workers, and what percentage are expected to be Alaska residents?*

It is estimated that the actual operations and maintenance of the bridge and toll facilities will require between 35 and 75 persons depending on the traffic volume and number of transactions/accounts under management. These workers will be employed by the private partner and/or their subcontractor(s).

While there may be several supervisory management personnel from outside of Alaska representing the private partner, KABATA believes that all other employees, representing the vast majority (e.g. 95%) of project personnel, will be Alaska residents. KABATA will encourage Alaska hire to the extent allowed by law.

- *Has the authority taken into account the strong financial incentive for the private partner to keep labor costs to a minimum in the on-going operation of the bridge, which could encourage the use of out-of-state workers, perhaps in a week on/week off rotation?*

Yes. It is very unlikely that rotational work by out-of-state workers would be cost-effective for the private party. The nature and scope of the work requires on-site personnel for bridge operations and for managing customer care for tolling operations. In addition, the travel costs for shuttling a work force in and out of the State would be prohibitive. Strong local hiring is the consistent result for other P3 projects in the United States.

- *Which provisions in the RFP will encourage use of Alaska subcontractors and Alaska workers in construction, maintenance, and operation of the bridge?*

The RFP will encourage Alaska hire to the extent allowed by law.

The overwhelming experience with other P3 projects in the United States is that proposers form consortia with substantial participation by local firms. Proposers obtain real advantages by doing so, including local knowledge, local connections, economies of scale and goodwill. As a practical matter, most of the approximately 5,000 FTE's needed to construct the bridge over 3-5 years will be

Alaska hire, including jobs in excavating, gravel trucking and placement, grading and paving, placing armor rock, etc.

8. Your item 8 sets forth the following question.

- *What would be the consequences of amending SB 80 to require legislative approval of the final contract, or to establish a maximum length and amount of the availability payments?*

KABATA wants to leave you with no doubt that a requirement for legislative approval of the final contract would so chill private sector interest in proposing that it would most likely lead to an unsuccessful procurement. The experience of other states like Pennsylvania, Florida and California is informative. In Pennsylvania, the legislature refused, for political reasons, to approve a P3 proposal for the Pennsylvania Turnpike after a successful P3 procurement was completed, sending shock waves through the industry. In Florida and California, this type of legislative provision completely stifled P3 procurements. Only after these states removed this requirement did the private sector take the P3 programs seriously and were these states able to successfully conduct P3 procurements (for the Port of Miami Tunnel project, the I-595 managed lanes project in Ft. Lauderdale, and the Presidio Parkway project in San Francisco).

Prospective private partners will spend in excess of \$5 million in preparing proposals. They must prepare conceptual designs in order to assemble a competent, fully priced competitive proposal. They will have a substantially negotiated design-build contract, firm financing commitments, arrangements for operations and maintenance, etc. that all must be considered in preparing a proposal. Even if a stipend is paid, it will not fully compensate them for proposal and opportunity costs of committing scarce resources to a complex proposal process. Subjecting the proposal process to a political decision after substantial investment of money and time will not draw private sector interest. The private sector will not take this kind of political risk.

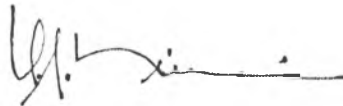
In short, the requirement for legislative approval of the P3 agreement would deal a major setback to the project.

Regarding a legislatively-mandated maximum length and/or maximum availability payment, while there is some precedent for this in other states, we believe the existing governance structure for KABATA under chapter 19.75 makes this unnecessary. The KABATA Board is composed of the commissioners of the ADOT&PF and the Department of Revenue, and three members from the general public appointed by the Governor and two State Legislators. The state's interests are well represented and well protected. The KABATA Board is under a fiduciary duty to obtain terms that it determines are advantageous to the state. They will make decisions within a disciplined framework, with consultation with and involvement of the ADOT&PF, the Department of Revenue, the Alaska

Department of Law and highly qualified financial, technical and legal consultants for KABATA.

If your office remains interested in a statutory limit for the term and/or the availability payment, we would like the opportunity to discuss it in more detail with you. The structure of those limitations must recognize market realities and the complex nature of these arrangements. Our interest is in obtaining the best results for the state.

Sincerely,



Andrew J. Niemiec
Executive Director

cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Board Members
Senate Finance Committee Co-chairman Senator Lyman
Senate Finance Committee Co-chairman Senator Bert Stedman

Last month at a Senate Transportation Committee hearing on SB 79-80, the companion bills to HB 158/159, I said these bills represent a blank check while KABATA said that the state would make "availability payments" to the private partner and that private partner would bear the financial risk of the project.

Since then KABATA again submitted their annual application for a federal loan for 1/3 total project costs. I would like to briefly go over the financial sources and uses of funds from that application that the committee has, to show why this is at least a billion dollar liability to the state and why the state bears the full downside on the project.

Let me list 4 red flags in the document to suggest why you could be going to a bad play whose predictable sad ending you don't want to be around to witness. Any resemblance between my comments on this project and some of the causes of the recent housing bust and financial troubles are not coincidental.

Looking at page 1 of the sources and uses of funds of KABATA's Pro-Forma Plan of Finance you see that the \$150 million is committed to the project at financing on day 1 and is not in some sort of reserve fund held for unexpected developments. Also note the \$40 million in Capital Accretion Bonds which is a fancy way of saying there are insufficient tolls in the early years to pay interest on those bonds so interest accumulates and is added to the principal. Page 5 shows that the project cannot start to pay making payments on those CAB bonds until 2034 so the project would pay \$208 million in accumulated interest to pay off the original \$41 million in principal. Let's call a project where the principal amount owed goes up in the early years and not down as the first red flag of negative amortization or negative equity.

Page 6 lists the latest estimate of KABATA's availability payments to the private partner: \$3.2 billion over 35 years or \$ 3,227,382,614 to be exact, that is money that KABATA estimates they would be obligated to pay to a private partner over the next 35 years. KABATA would get the toll revenue and use it in part to make availability payments to the private partner sufficient to cover Bridge operating costs and the funds for the private partner to pay off the bonds. The private partner will use the KABATA contract to then get the investment credit rating from a rating agency that they need to go to market to sell the bonds.

Those annual availability payments start at \$35.7 million in the year the Bridge opens in 2016 and gradually balloon to be \$141 million in the year 2051 before all the bonds are finally paid off by the private partner. The states that have gotten into these public private partnership deals usually have a fixed amount of annual payments, like a mortgage. Because there is grossly insufficient toll revenue in the first 10-15 years, KABATA's projects payments grow at 4 % a year for 20 years and then 2% thereafter. Let's call that second warning flag balloon payments.

Page 6 also shows the annual costs for toll collection, a sinking fund to fund capital repairs, O&M costs, and KABATA admin costs. My message is, believe those costs, including the projected availability payments and bond payments; do not believe the projected toll revenue numbers that are needed to cover those costs.

Why not believe the revenue projections?

All KABATA revenue until this month was based on a Mat Su population in 2030 on 250,700; that number is nearly 50% higher than UAA ISER's number of 169,000 in 2030 up from 89,000 today. In December the state demographer projected a Mat Su population in 2034 of 152,456; so KABATA's number four years earlier is 64% higher than the state's demographer.

Because of our objections to the overestimated population, Wilbur Smith has now redone the population and toll numbers reducing them slightly about 20% in the early years and 8 % in the out years; this has the effect of reducing projected toll revenue by 12% in 2030. But KABATA has not released the new toll revenue study – that study is listed as Coming Soon on the KABATA web site – and by conflating regional population with Mat Su population they are hiding the ball in ways that make it hard to review. Wilbur Smith now says this slight alteration of their original 2007 numbers is not warranted for financial decisions. Let's call this third warning flag overoptimistic revenue assumptions or undocumented income.

If you still believe that KABATA's population projections are more accurate than ISER's or the Department of Labor you can today request the Department of Transportation to release their estimate of Mat Su-Anchorage traffic for 2030 at the Old Glenn crossing and Bridge traffic. DOT and AMATS did those numbers for the Highway to Highway project. They have so far repeatedly refused to release those numbers so today we filed a Public Records Act request.

My hunch is DOT numbers are about half what KABATA numbers are so the projected toll revenue to cover availability payments is at least a third but probably still 50% too high.

The reason why projected trip numbers and toll revenue are too low to meet expenses and pay off the bonds is apparent from the map you have before you from KABATA's consultant Wilbur Smith. The map shows that if you are at the corner of Knik Goose Bay Road and the Parks Highway in Wasilla it's 12 minutes faster to downtown Anchorage on the Glenn than if you take the Bridge. You have to be in Big Lake or 7 miles out Knik Goose Bay road before it's a faster trip to downtown Anchorage on the Bridge than the Glenn and you have to be indifferent to paying a \$5 one way toll or \$2000 a year for a commuter making a round trip. (Experts say tolls usually reduce demand by 25% or folks will drive about 8 miles out of their way to avoid paying one.) And if you are going from Big Lake to the hospitals, the U, or Fort Rich it will still be faster on the Glenn than the Bridge and the Glenn will be toll free.

So if these bills are still approved, what happens next? That gets to the fourth and final warning flag and the most serious one yet: the unlimited government guarantee in HB 159.

As KABATA has described, if these bills pass they will issue the RFP, acquire right of way including people's homes, and award the qualified project to the private firm proposing the lowest availability payments for KABATA. At that point KABATA will sign a contract with the private partner committing KABATA to 35 years of availability payments subject to annual appropriation of the legislature to make up the entirely predictable shortfall in toll revenue. The private partner will then use the KABATA

contract to then get the investment credit rating from a rating agency they need to go to market to sell the bonds to finance construction.

So the "finance risk" that the private partner is bearing is not the finance risk of a shortfall in toll revenue to pay off the bonds or make availability payments – that's the real risk the state will be bearing -- it is the quote "finance risk" that the State of Alaska will stop making the larger and growing availability payments to the private partner you see on page 6 that total \$3.2 billion. That's not what I call a "finance risk" in any standard meaning of the term.

What KABATA has been saying since 2003 and I paraphrase, "If this project does not make financial sense to the private sector partner, then they won't support it and the bridge will not be built." The private sector does not want to touch this project if they have to assume the financial risks. That is why bills were introduced in 2008 to make sure that KABATA's RFP had public and legislative scrutiny before it was issued to prospective partners.

But the bills before you change the rules of the game from KABATA's original statute. HB 158 and HB 159 makes KABATA'S bonds, if they issue debt directly, or the availability payments contract to the private partner who would then issue bonds, "obligations of the state" ; that commitment also was in its March 1 federal application which pledged state funds to cover the toll shortfall "subject to annual appropriation."

Then there's an interesting \$3 billion difference between this year's pro forma seeking the federal loan and last year's application for the same loan. On March 1 2010 when KABATA submitted its application to the federal government for the same loan program as this year, KABATA's estimate of the cumulative availability payments KABATA would make to the private partner was \$6.3 billion over 55 years compared to availability payments of the \$3.2 billion over 35 years you see in this year's application. That's a \$3 billion discrepancy which can only be explained in part by the \$150 million in this year's application from the state, shortening the time period to pay off the bonds, and dropping the private partner return from over \$3 billion in last year's application to \$924 million in this year. By this year's pro forma spread sheet the private sector return labeled "net cash flow" is an estimated 12% a year compounded, a high return given the state guarantee of the availability payments subject to annual appropriations.

You should not trust numbers that move around this much.

Making KABATA bonds or the "availability payment" contract guaranteed by the state is the blank check which the legislature is now being asked to sign. Future legislatures would then have the hard choice between appropriating funds from other sources to make up the difference between toll revenue and Bridge costs or letting KABATA go bankrupt on the bonds it issued or default on its availability payment contract to the private partner. As you can see on page 3 those projected availability payments are not small; they get up to \$50 million in 2019 and over \$100 million in 2038.

So what would happen if the state legislature refused to appropriate the funds to make those availability payments?

Now we have to use the B word, bankruptcy.

Last year in its second year of operation, San Diego's South Bay tollway went bankrupt. Macquarie, one of the two pre-selected private partners for the Knik Bridge project, was the private partner who defaulted on the bonds. The problem was the Macquarie sub who had the contract with the state was an LLC and creditors had no recourse to the assets of the parent corporation to pay off the bonds. So now the state of California is on the hook for the unbudgeted O&M costs and everyone's in bankruptcy court to see if the debt can be restructured and who will take control of the asset. Also last year, the Southern connector tollway another public-private partnership in Greenville, SC went bankrupt, leading to a rare Chapter 9 bankruptcy for a unit of government.

So if the state fails to make availability payments, the credit rating of KABATA, a state agency, is toast. More importantly, other state agencies like AIDEA, AHFC or the Municipal Bond Bank all issue debt in their own name but creditors count on the "moral obligation" of the state to make good on the bonds in case revenue from the project is insufficient. So the credit rating of these agencies would then also suffer as would the state's new high Aaa credit rating. If a new Red Dog deal came along could AIDEA get financing at reasonable rates to get the deal done? How would financing for local government projects through the Municipal Bond Bank or housing projects through AHFC be affected? How much more interest rates would the state pay on its GO bonds if KABATA defaulted on availability payments?

Last April when I went to the KABATA Board meeting and criticized the incompleteness of similar spreadsheets, I handed out the first detailed sources and uses of funds document the Board had seen.

There are good people on the KABATA Board but they are naturally focused on building a Bridge; they are not focused on what the real toll revenue of the Bridge will be, what other uses the state may have for 3 or 6 billion dollars in the future, or the impact this project will have on the state's credit rating. When the Board came to Juneau last month and met for an hour it did not discuss any financial spreadsheets on the project or what would be in the March 1 federal loan application. Rather they discussed the need to lobby public officials on the project and add a PR position to their operating budget.

So, to sum up, these bills before you completely change the rules of the game without KABATA accurately telling you what the costs of the new game are to the state and how this new game binds future legislatures. The original and amended legislation creating KABATA let them issue \$500 million in bonds but they could not "create a debt or liability to the state", (19.75.221 (g) and those bonds had to be at no more than 125% of the Bond Investment Index or basically at investment grade. But toll numbers on this deal are so bad this deal can't earn an investment grade without your guarantee so HB 158/159 lets KABATA have \$150 million in general funds and now issue \$600 million in bonds or have a contract for availability payments and both would now be obligations of the state subject to annual appropriations.

Balloon payments, loans which over time increase and not lower the amount owed or negative equity, undocumented income or overly optimistic revenue estimates, an unlimited government guarantee, and the need to borrow \$150 million from the parent to make the mortgage or availability payments in the

early years and for the parent, the state of Alaska, to co-sign the whole loan – we've seen this play before in the housing market and it's ended badly. As Yogi Berra said, it will be déjà vue all over again.

Thank you for listening. Be glad to take any questions.

Jamie Kenworthy, Ph.D.

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The authoritative voice of the trucking industry in Alaska

February 21, 2011

Representative Peggy Wilson
Chairman
House Transportation Committee
Juneau, Alaska 99801

Re: HB 158

Dear Chair Wilson,

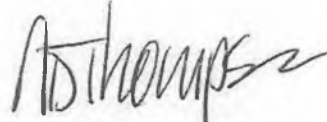
The Alaska Trucking Association and its nearly 200 member companies, stand firmly behind the Knik Arm Crossing project and the associated needed legislation. We feel the Knik Arm Crossing project is a regional connectivity project that will provide a critical infrastructure link between our communities, 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 projecting 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 HB158 in order to facilitate the movement of this project forward in a timely manner.

Sincerely,



Aves D. Thompson
Executive Director



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

Department of Transportation/Public Facilities
AMHS as a % of DOT/PF Operating Budget

22-24%
2002-2006

26-28%

26-27%

	FY2002 <u>Auth</u>	FY2003 <u>Auth</u>	FY2004 <u>Auth</u>	FY2005 <u>Auth</u>	FY2006 <u>Auth</u>	FY2007 <u>Auth</u>	FY2008 <u>Auth</u>	FY2009 <u>Auth</u>	FY2010 <u>Auth</u>	FY2011 <u>Auth</u>	FY2012 <u>Govs</u>
All Funds											
DOT/PF	\$327,606.7	\$355,430.7	\$368,817.1	\$394,477.8	\$435,610.6	\$489,241.0	\$498,629.3	\$543,918.1	\$542,391.8	\$579,396.7	\$585,455.0
AMHS	\$79,514.4	\$85,163.1	\$85,813.8	\$85,355.0	\$103,542.9	\$133,144.7	\$127,866.2	\$153,676.0	\$138,433.7	\$156,103.2	\$149,491.8
AMHS as a % of DOT&PF	24%	24%	23%	22%	24%	27%	26%	28%	26%	27%	26%

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
General Funds (UGF & DGF)											
DOT/PF	\$180,691.8	\$188,484.9	\$191,116.5	\$193,589.8	\$225,289.3	\$264,625.7	\$266,933.8	\$304,965.0	\$302,133.2	\$327,980.4	\$328,527.0
AMHS	\$78,108.7	\$83,725.1	\$84,346.8	\$83,813.6	\$101,900.3	\$131,505.2	\$126,226.7	\$152,073.3	\$136,791.1	\$154,415.8	\$147,762.1
AMHS as a % of DOT&PF	43%	44%	44%	43%	45%	50%	47%	50%	45%	47%	45%

2002-2006 43-45%

47-50%

45-47%

- *FY2007 Auth includes \$7.8M GF Fuel Trigger for Marine Highways
- *FY2008 Auth includes \$7.8M GF Fuel Trigger for Marine Highways
- *FY2009 Auth includes \$28.6M GF Fuel Trigger for Marine Highways
- *FY2010 Auth includes \$9.0M GF Fuel Trigger for Marine Highways
- *FY2011 Auth includes \$8.0M GF Fuel Trigger for Marine Highways

Prepared 03/22/2011 for Representative Peggy Wilson

Keep in my DOT Packet