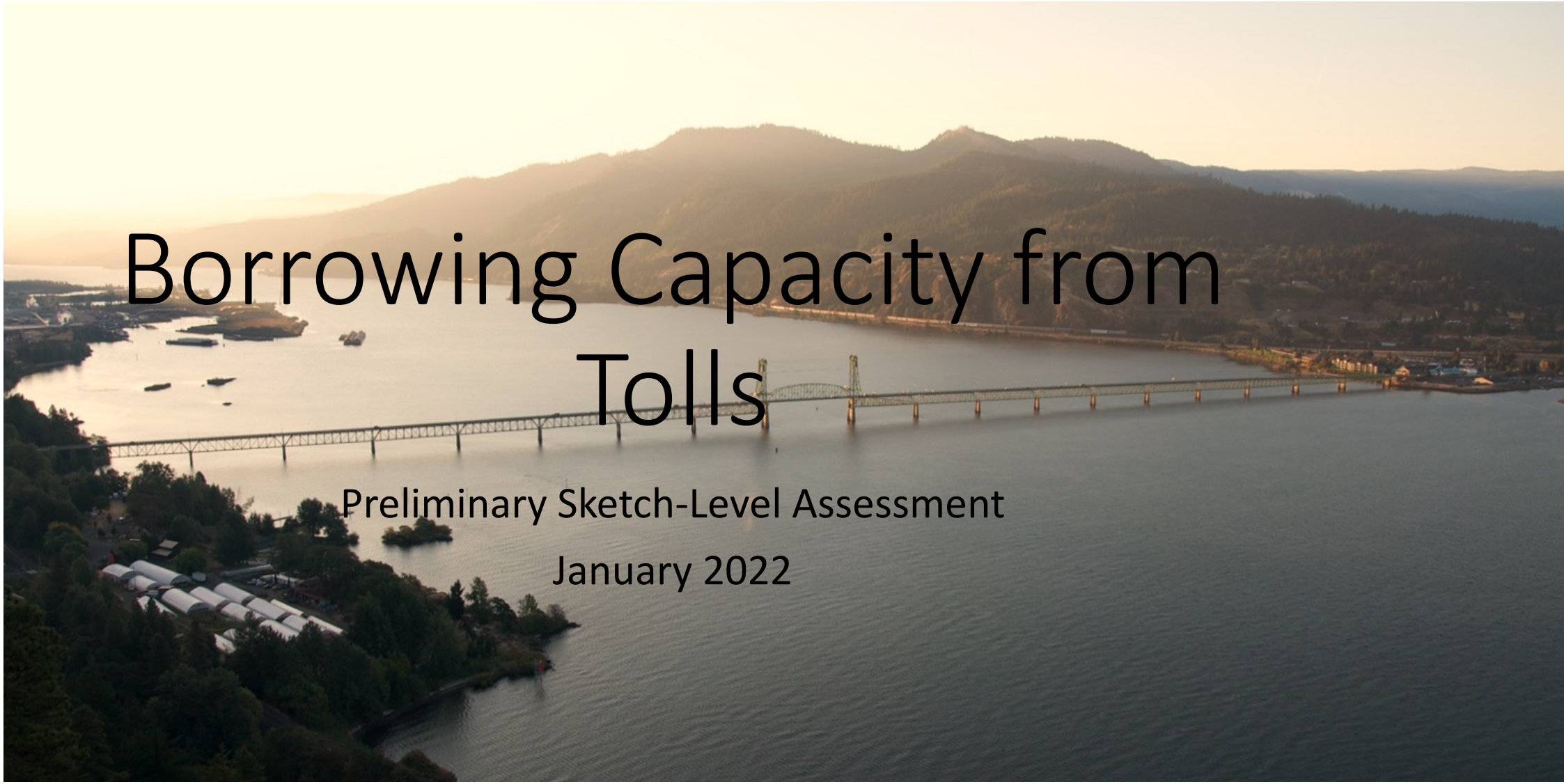


Borrowing Capacity from Tolls

Preliminary Sketch-Level Assessment

January 2022

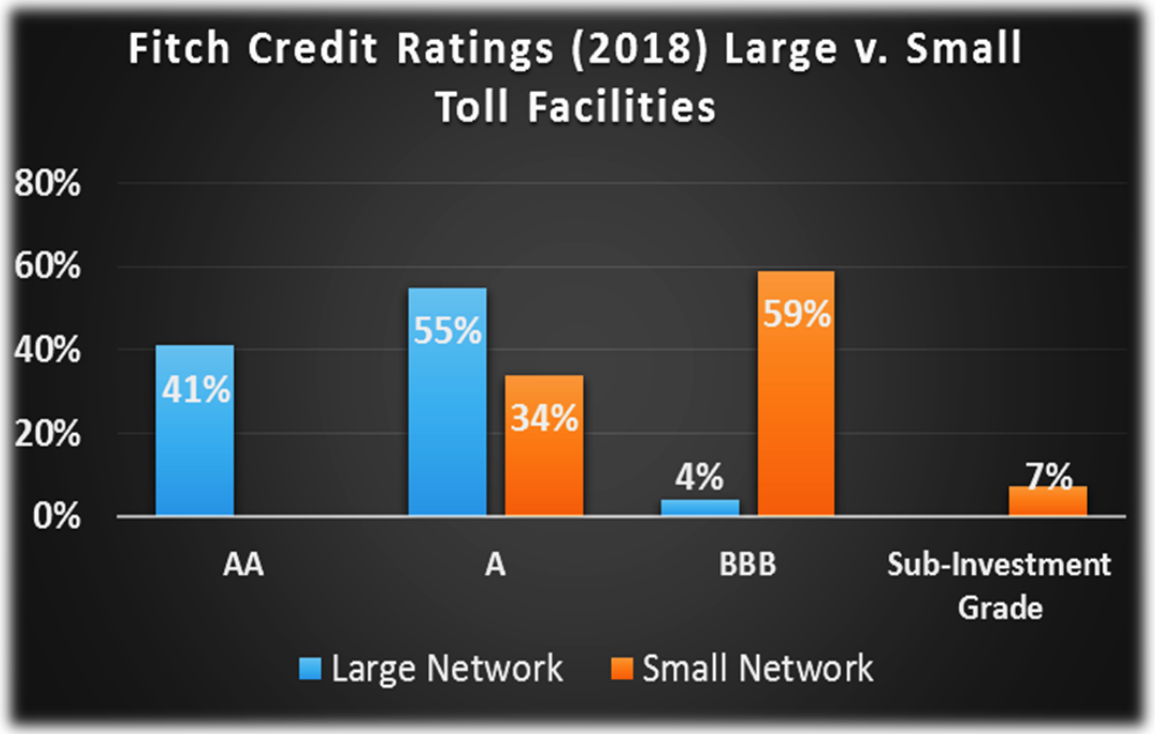
Summary Findings

- Purpose: Determine amount of project funding potentially available from toll borrowings
- This is a sketch-level analysis for preliminary discussion purposes only.
- Assumptions are concept examples, not recommendations
- Findings subject to change based on future traffic and toll revenue studies and market conditions

- 2X existing toll rates in 2030 and 10% increase every 4 years after yields ~$135M-$150M in proceeds for project costs.
- **Addressing the creditworthiness of the commission/bridge is key to maximizing project funding.**
- 10% toll rate increase in January 2024 on existing bridge could yield in total over six-years about $3.8M on a pay-go basis; POHR loses ~$290K in total over six years due to toll elasticity

Creditworthiness

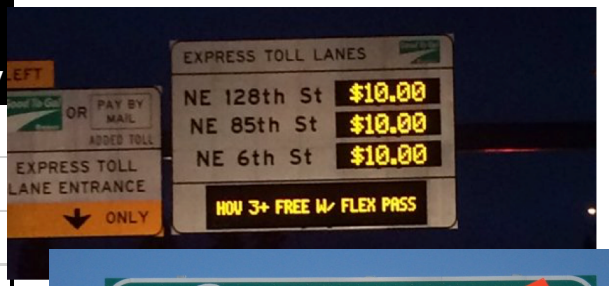
- Credit Ratings = opinion regarding risk that bonds/loan will be repaid
- Poor credit rating jeopardizes ability and to borrow and results in higher interest rates.
- Rating is based on assessment of borrower, project, operations, and finance structure
- Replacement Bridge has some inherent negatives: Small Facility, Low Truck Traffic
- Replacement Bridge has some potentially mitigatable negatives: New Authority, Under Capitalized
- **Some negatives can be mitigated with conservative financing structure: High Coverage Ratios, High Reserves**



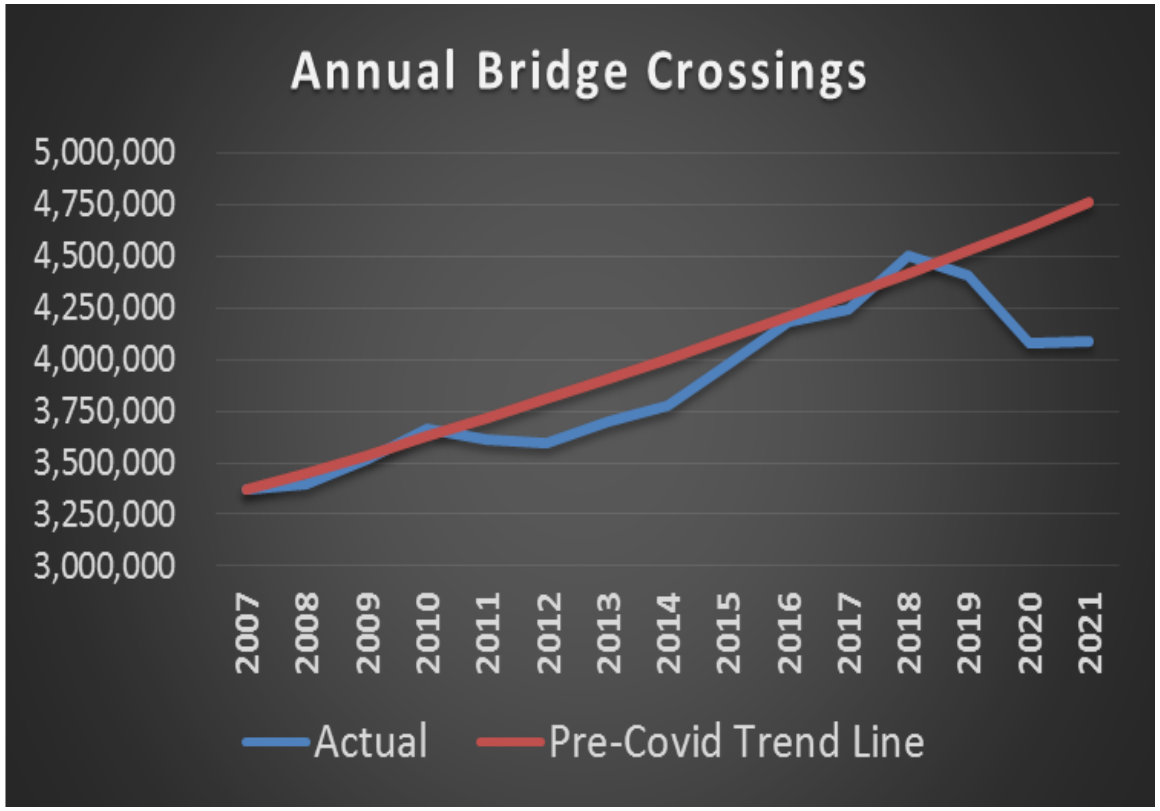
Net Revenues Available for Debt Service

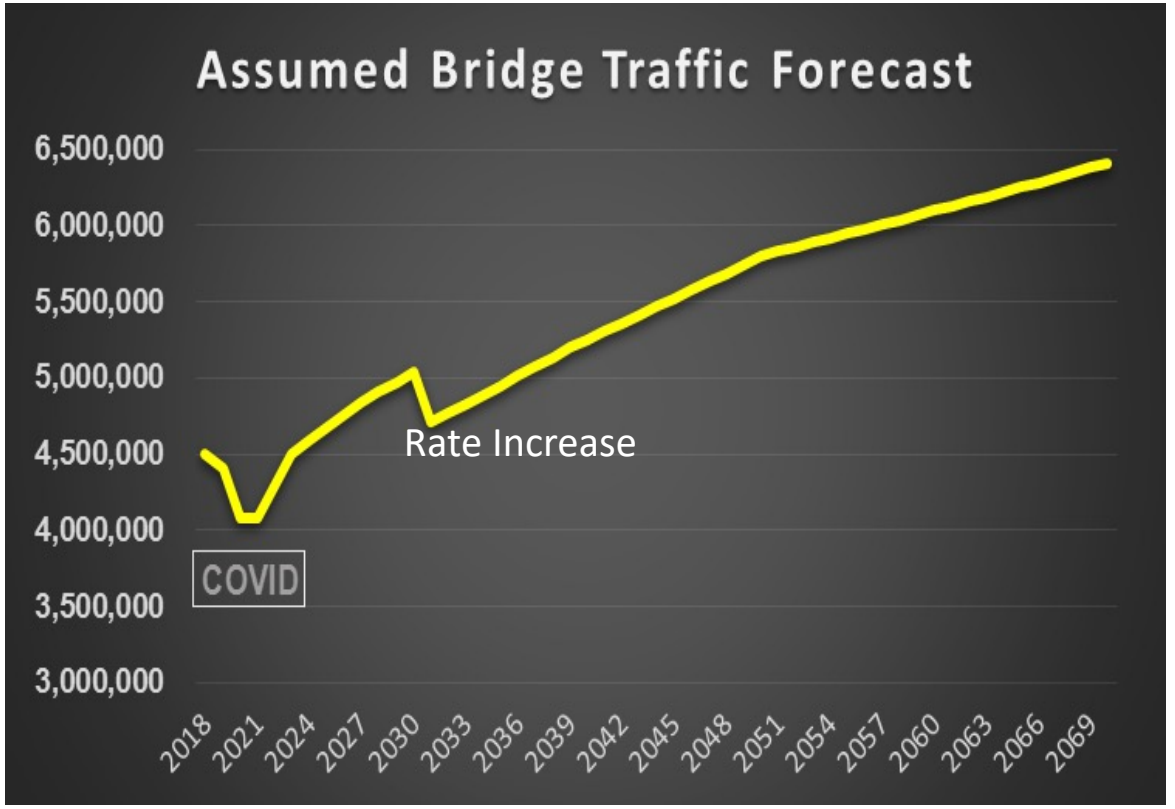
Toll Rates: Current and Assumed Future

	Current		Assumed Rates for New Bridge - October 2030	
	Cash	Breezeby	Pay-by-Plate	Breezeby
Autos & Pickups	$2.00	$1.00	$4.00	$2.00
Dual Axle/Wheels	$6.00	$4.00	$12.00	$8.00
3 Axle Trucks	$9.00	$6.00	$18.00	$12.00
4 Axle Trucks	$12.00	$8.00	$24.00	$16.00
5 Axle Trucks	$15.00	$10.00	$30.00	$20.00
6 Axle Trucks	$18.00	$12.00	$36.00	$24.00
7 Axle Trucks	$21.00	$14.00	$42.00	$28.00
8 Axle Trucks	$24.00	$16.00	$48.00	$32.00
9 Axle Trucks	$27.00	$18.00	$54.00	$36.00
10 Axle Trucks	$30.00	$20.00	$60.00	$40.00
11 Axle Trucks	$33.00	$22.00	$66.00	$44.00
Motorcycles	$1.00	$0.75	$2.00	$1.50
Truck classes highlighted in gray currently not using bridge due to weight limits				



Bridge Traffic: Historic and Forecast





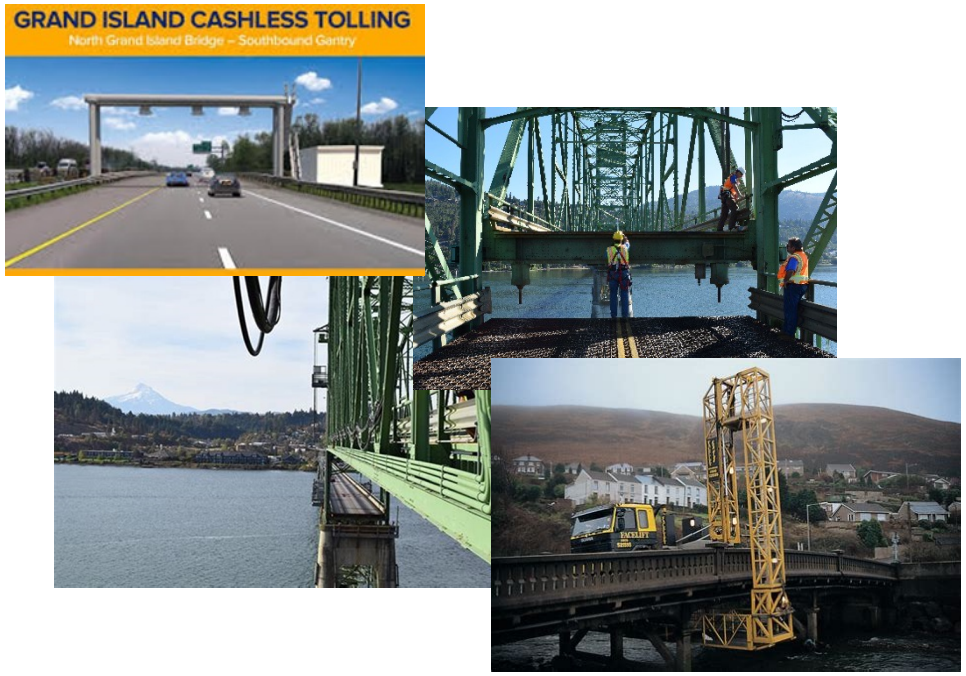
Gross Operating Revenues: Assumptions

+ Toll Collections	Assume toll rates double in 2029 and increase by 10% every 4 years
+ Billing Fees	One billing per 3.5 pay-by-plate transactions at $4 per billing, periodic increases
+ Civil Penalties	None assumed in this sketch analysis
- Uncollectibles (Leakage)	40% of pay-by-plate transactions thru 2040, then 35%
Gross Operating Revenues	

Operating Expenses

O&M Expenses estimated by refining 2019 Stantec estimates. Further refinement needed in next phase of toll consultant work

- Credit Card Fees
- Toll Collection O&M
  - Mailings, Invoicing, Accounts Management, Software, Roadside Equipment, Collections
- Insurance
- Facility O&M
  - Plowing, Maintenance, Repair, Utilities, Emergency Services
- Management, Legal, and Administration
- Customer Services (Call Center)
- Governance



Net Revenues Available for Debt Service

+ Toll Revenues

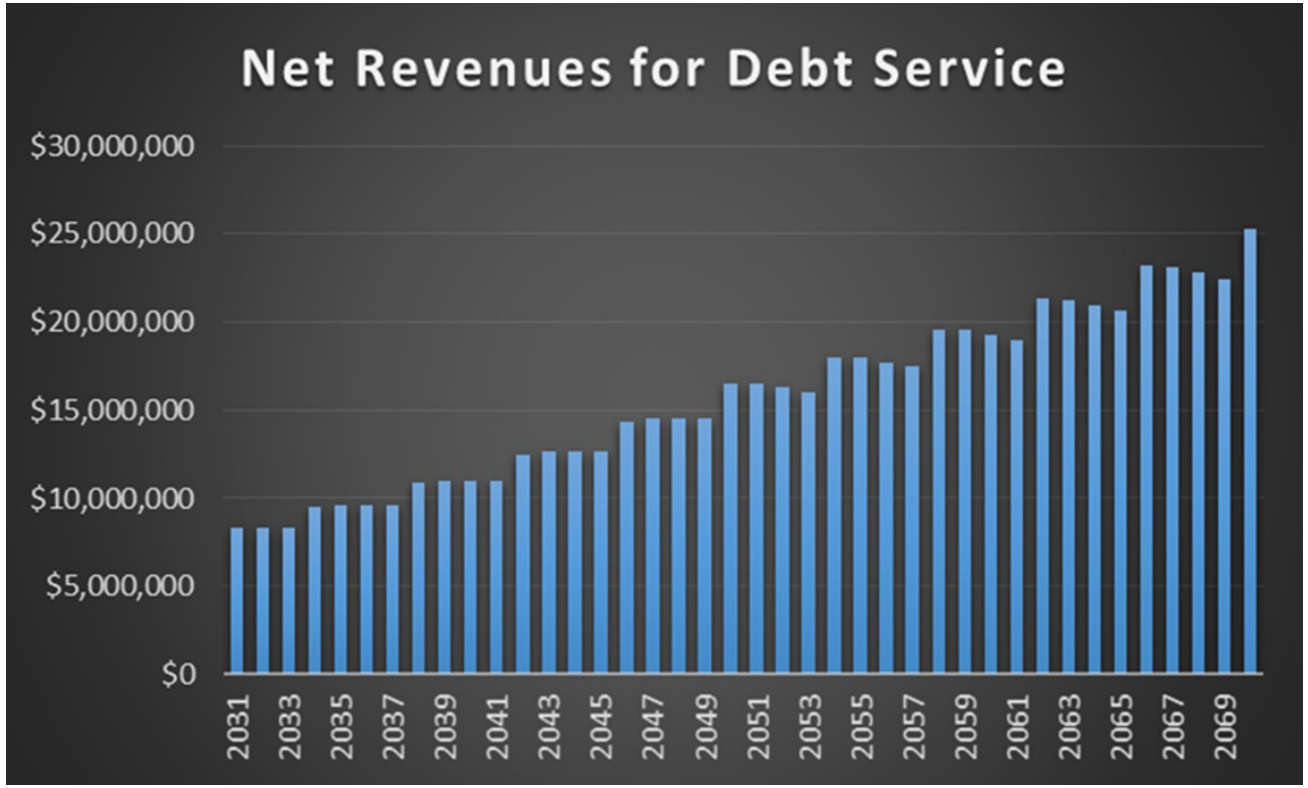
+ Billing Fees

‘- Leakage

Total Operating Revenue

‘- Total Operating Expenses

Net Revenues for Debt Service



Borrowing Assumptions

Assumed Borrowings: Combination of Revenue Bonds and TIFIA

Toll Revenue Bonds

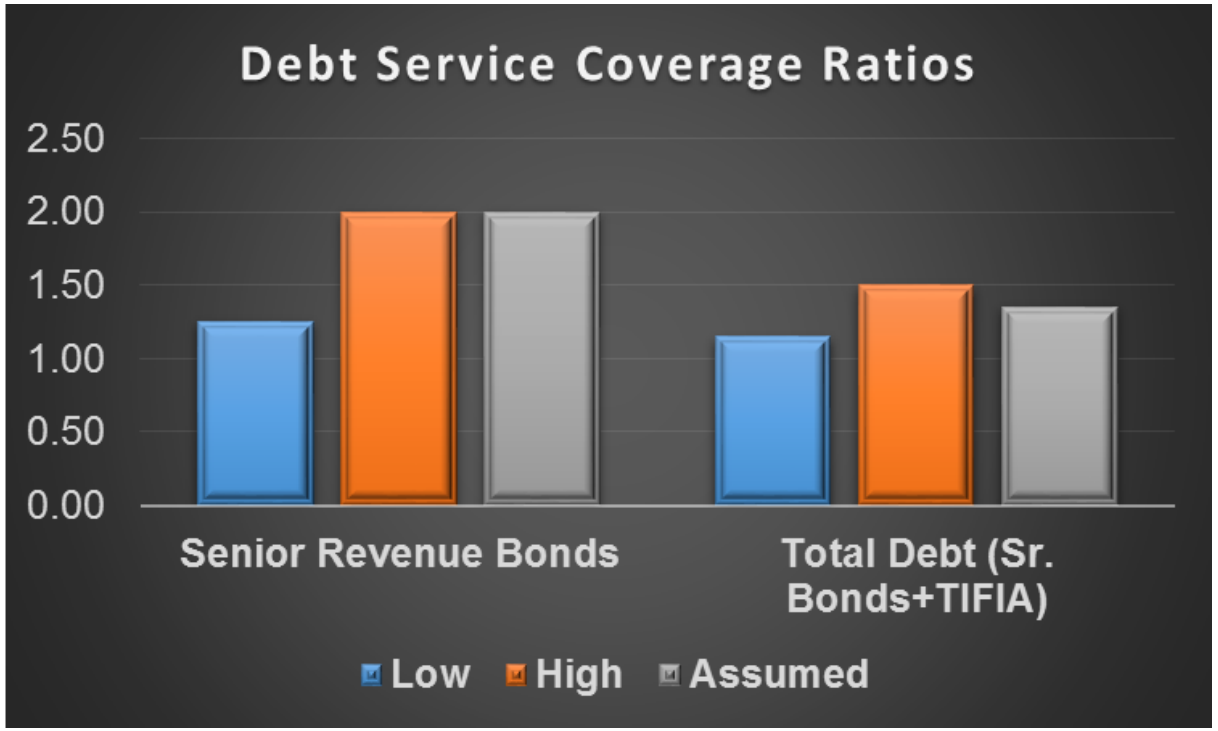
- Non-recourse bonds (40 Years)
- Pledge net toll revenues after payment of O&M expenses (and possibly other payments)
- Covenant that Board will set toll rates at a level sufficient to make all required payments when due

TIFIA

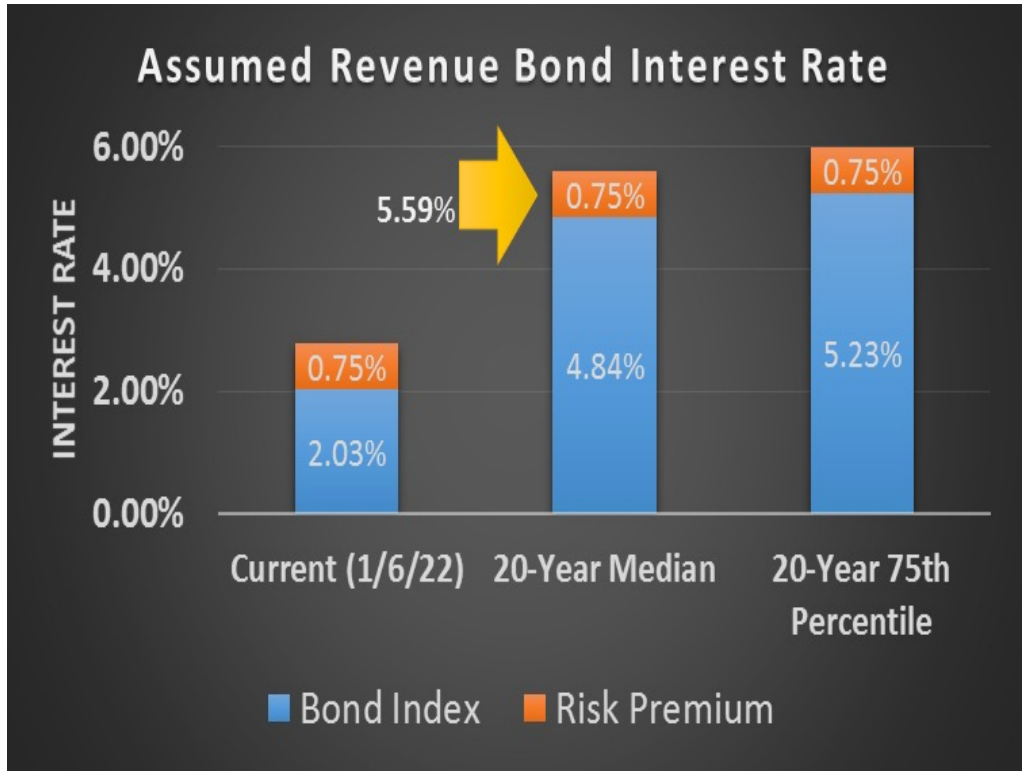
- USDOT loan up to 33% of cost
- Draw loan funds as needed; reduces capitalized interest
- Can defer start of repayment for 5 years, take 35 years to repay
- More flexibility in repayment structure than bonds
- Can be subordinate to Sr. Bonds. If subordinate, TIFIA loan does not need investment grade rating

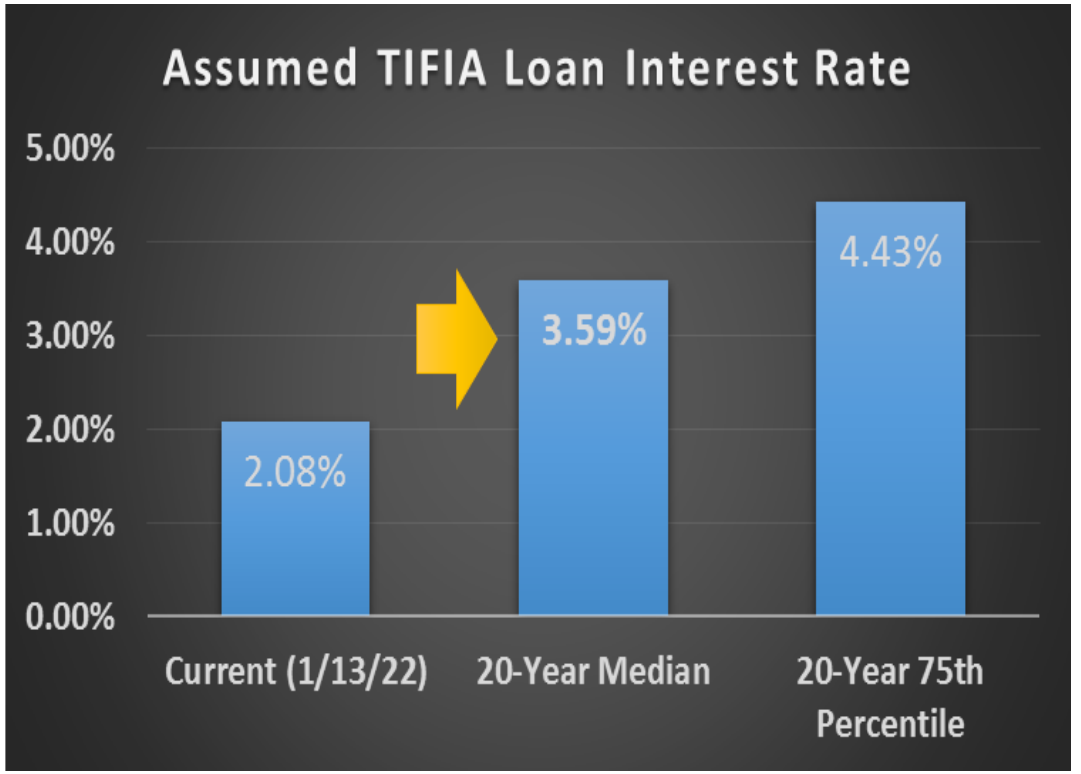
Assumed Debt Service Coverage Ratios

- **Net Revenue for Debt Service** = Money remaining for debt service payments after paying O&M costs
- **Debt Service Coverage Ratio (DSCR)** = Net Revenue for Debt Service divided by Debt Service
- **Required DSCRs** must be met each year:
  - DSCR for Senior Bonds (Assume 2.0)
  - DSCR for All Borrowings (Sr. Bonds + TIFIA) (Assume 1.35)
- **Surplus** = Money remaining after payment of debt (Used to fund reserves)



Assumed Interest Rates on Borrowings





Project Funding from Toll Bonds/Loans

+ Gross TIFIA Loan Amount
+ Gross Toll Bonds Principal

Total Gross Borrowing Capacity

Minus Non-Project Cost Uses of Proceeds
- Reserves
- Capitalized Interest
- Issuance Costs

Total Non-Project Cost Uses

= **Net Project Funding from Proceeds**

Typically Required Reserve Accounts

Reserve	Common Levels	Requirement Frequency	Assume
Debt Service Reserve - TIFIA	~10% of Principal	Always	10% principal from proceeds
Debt Service Reserve- Toll Bonds	~ 5%-10% of Principal	Always	10% principal from proceeds
Working Reserve	Negotiated Amounts	Sometimes	Funded from a non-bond/loan source
O&M Reserve	6-months of O&M Cost	Always	6-mo.of O&M cost from proceeds
Rate Stabilization Reserve	Negotiated Amounts	Sometimes	Funded over time
Ramp-Up Reserve	Negotiated Amounts	Sometimes	Not required
Major Maintenance & Rehabilitation Reserve	Based on Consulting Engineer Major Maintenance Program	Usually	Funded over time

What can 2X existing toll rates on new bridge (in October 2030) yield for project?

Net Funding for Project from Proceeds: Base Assumptions (Required Total DSCR = 1.35)

Sources	TIFIA	Sr. Current Interest Bonds	Sr. Capital Appeciation Bonds	Total
Proceeds	$84,726,307	$85,970,581	$1,724,259	$172,421,147

Uses	TIFIA	Sr. CIBs	Sr. CABs	Total
Project	**$72,270,477**	**$76,943,670**	**$1,543,212**	**$150,757,358**
Debt Reserve	$8,472,631	$8,597,058	$172,426	$17,242,115
O&M Reserve	$2,500,000			$2,500,000
Issuance		$429,853	$8,621	$438,474
Capitalized Interest	$1,483,199			$1,483,199
Total Uses	$84,726,307	$85,970,581	$1,724,259	$172,421,147

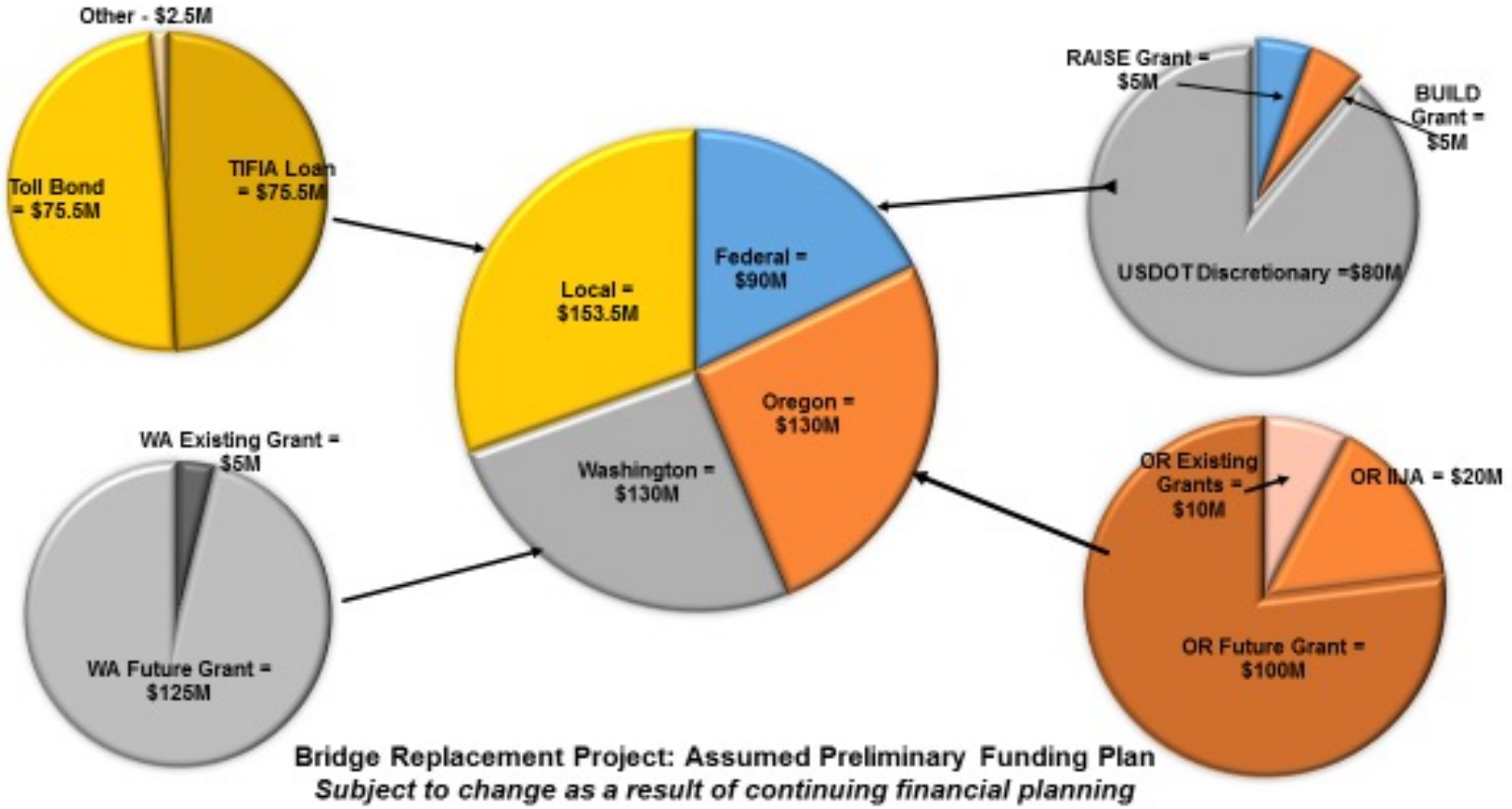
Net Funding for Project from Proceeds: Assume Required Total DSCR = 1.5

Sources	TIFIA	Sr. Current Interest Bonds	Sr. Capital Appeciation Bonds	Total
Proceeds	$77,024,689	$77,431,553	$2,620,873	$157,077,115

Uses	TIFIA	Sr. CIBs	Sr. CABs	Total
Project	**$65,339,021**	**$69,301,240**	**$2,345,682**	**$136,985,942**
Debt Reserve	$7,702,469	$7,743,155	$262,087	$15,707,712
O&M Reserve	$2,500,000			$2,500,000
Issuance		$387,158	$13,104	$400,262
Capitalized Interest	$1,483,199			$1,483,199
Total Uses	$77,024,689	$77,431,553	$2,620,873	$157,077,115

Preliminary Assumed Project Funding Plan

Assumed Preliminary Funding



Bridge Replacement Project: Assumed Preliminary Funding Plan

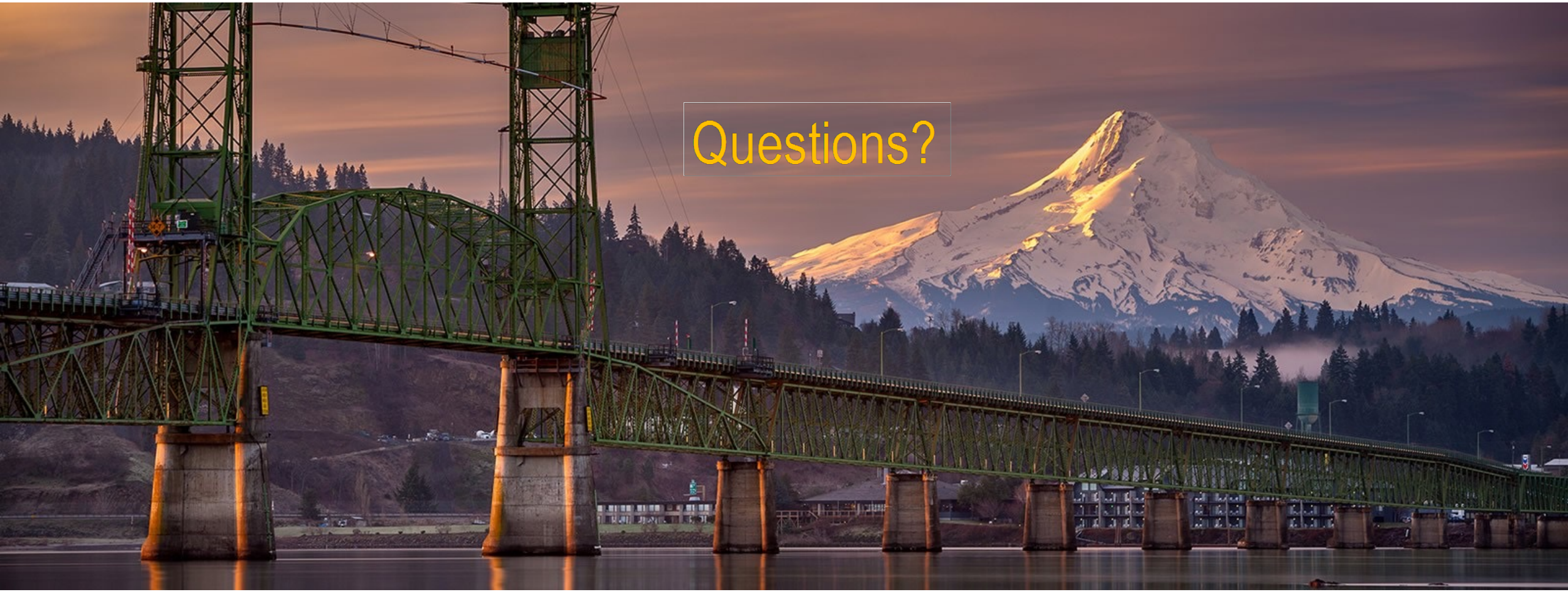
Subject to change as a result of continuing financial planning

What can 10% toll rate increase in January 2024 on existing bridge yield over six years on a pay-go basis for project?

Funding from Toll Rate Increase for Existing Bridge: Pay-Go Example

	2024	2025	2026	2027	2028	2029	2030
Percent of Year Toll Rate Collected	50%	100%	100%	100%	100%	100%	25%
Toll Revenue: Car	$277,712	$565,144	$575,034	$585,097	$593,873	$601,297	$124,198
Toll Revenue: Truck	$38,750	$78,856	$80,235	$81,640	$82,864	$83,900	$18,052
Toll Revenue: Total	$316,462	$643,999	$655,269	$666,736	$676,737	$685,197	$142,249

- Assumes 10% toll rate increase Jan. 2024
- Ends Sept. 2030 when new bridge opens
- Includes 0.076% reduction in traffic due to toll elasticity
- Yields ~ $3.8M in total over six years
- Costs POHR ~$290K in total over six years due to toll elasticity


Questions?