



Update on the Interstate 405 Improvement Project Alternatives, Business Models, and Delivery Options

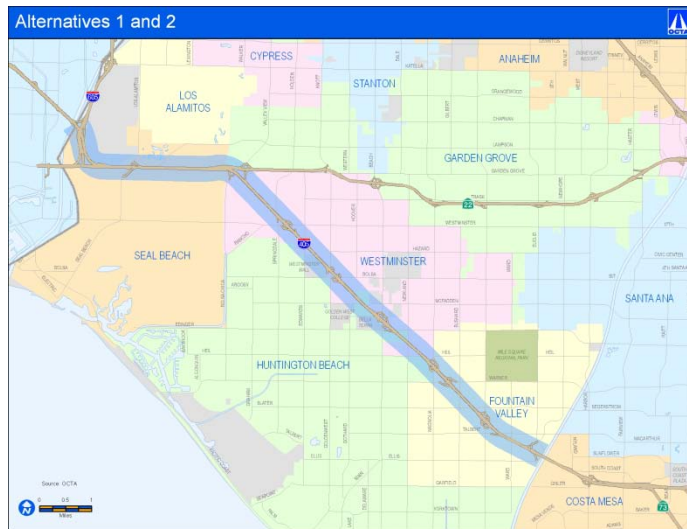
Overview

I-405 Draft EIR / EIS released soon – Three build alternatives

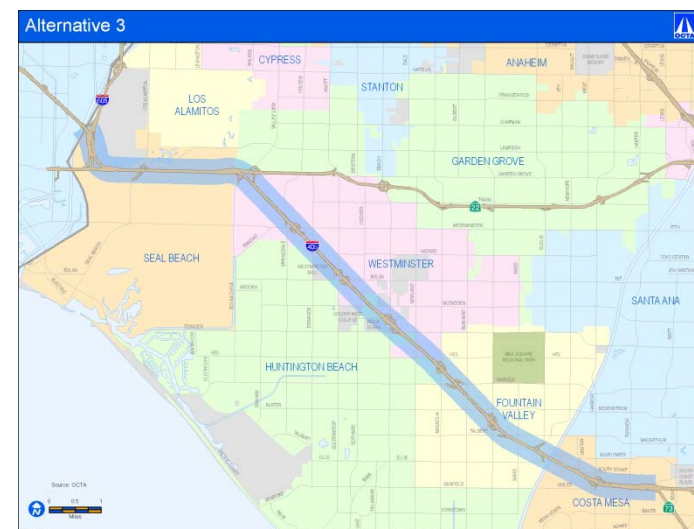
Alternative 1 - Adds one GP* lane each direction from I-605 to Euclid Street

Alternative 2 - Adds two GP* lanes each direction from I-605 to Euclid Street

Alternative 3 - Adds one GP lane to Euclid Street and one express lane each direction from I-605 to SR-73; express lane combines with existing HOV** lane to make a 2-lane (each direction) express facility (HOV3+)



* GP = General Purpose Lane



** HOV = High Occupancy Vehicle

Measure M2 Board Workshop

- Confirmed we have financial capacity to deliver M2
- Showed I-405 in context of overall M2 program
- M2 includes \$600M line item for I-405
- Discussed financial methods for delivering I-405

I-405 includes three alternatives with estimated costs:

- Alternative 1 \$1.3B
- Alternative 2 \$1.4B
- Alternative 3 \$1.7B



I-405 – Existing Conditions



I-405 looking northwest at Springdale Street overcrossing

I-405 Improvement Project - Alternative 1



Adds one GP lane in each direction I-605 to Euclid Street

I-405 Improvement Project - Alternative 2



Adds two GP lanes in each direction I-605 to Euclid Street

I-405 Improvement Project - Alternative 3



Adds one GP lane and an express lane which, combined with existing HOV lane, operates as an express facility like the 91 Express Lanes – extends from I-605 to SR-73

I-405 Delivery Approaches

Depending on alternative selected, could use:

- Traditional design-bid-build
- Design-build
- Design-build-finance
- Design-build-finance-operate-maintain

Alternative 1

- Delivers M2 Project K
- M2 Project K is one GP lane in each direction
- Cost estimate is \$1.3B*
 - \$600M available from M2 Project K line item
 - Funding need is \$700M**
- Requires design-build legislation
- No revenue potential



* Cost estimates assume design-build delivery model

** Potential to be funded from M2 Freeway Program as proposed in Draft M2020 Plan

Alternative 2

- Delivers M2 Project K
- Builds one additional GP lane in each direction beyond M2 Project K
- Cost estimate is \$1.4B*
 - \$600M available from M2 Project K revenues
 - Funding need is \$800M**
- Requires design-build legislation
- No revenue potential



* Cost estimates assume design-build delivery model

** Potential to be funded from M2 Freeway Program as proposed in Draft M2020 Plan

Alternative 3

- Delivers M2 Project K
- Builds capacity beyond M2 Project K and increases throughput
- Three delivery options analyzed
- Requires design-build and tolling authority
- Cost estimate is ~ \$1.7B*
 - \$600M available from M2 Project K revenues
 - Funding need depends on delivery option
- Revenue available from tolls



* Cost estimate varies depending on financing option

Stantec Traffic and Revenue (T&R)

T&R Phase II assumptions:

- New GP lanes to Euclid Street and new express lanes from I-605 to SR-73
- Direct express connection to SR-73
- Two intermediate access points
- 91 Express Lanes toll policy
 - Uses congestion management pricing by adjusting tolls up or down depending on traffic volume
 - HOV3+ rides free most hours (except super peak when they pay half price)



I-405 Improvement Project Alternative 3 Delivery Options

**Prepared for OCTA by:
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Alternative 3, Delivery Option 1

- Option 1: Self-Finance

- Design-build
- 91 Express Lanes operating model
 - Same toll and non-toll revenue structure
 - OCTA responsible for operations and maintenance (O&M)
- OCTA retains toll revenue and revenue risk and control of toll structure

The logo consists of the letters 'S' and 'F' in a bold, green, sans-serif font. The 'S' is on the left and the 'F' is on the right, both rendered in a vibrant green color.

- Minority equity investment potential (Hybrid)

Alternative 3, Delivery Option 2

- Option 2: Availability Payment (AP) Contract
 - Design-Build-Finance-Operate-Maintain (DBFOM)
 - OCTA makes “performance based” payments to private contractor regardless of toll revenue
 - Contractor responsible for DBFOM
 - OCTA retains revenue risk and control of toll structure

AP

Alternative 3, Delivery Option 3

- Option 3: Public-Private-Partnership (P3) Concession
 - Concessionaire's responsibility:
 - Design-Build-Finance-Operate-Maintain
 - Concessionaire retains revenue and revenue risk
 - Must negotiate toll policy

P3

Self-Finance Characteristics

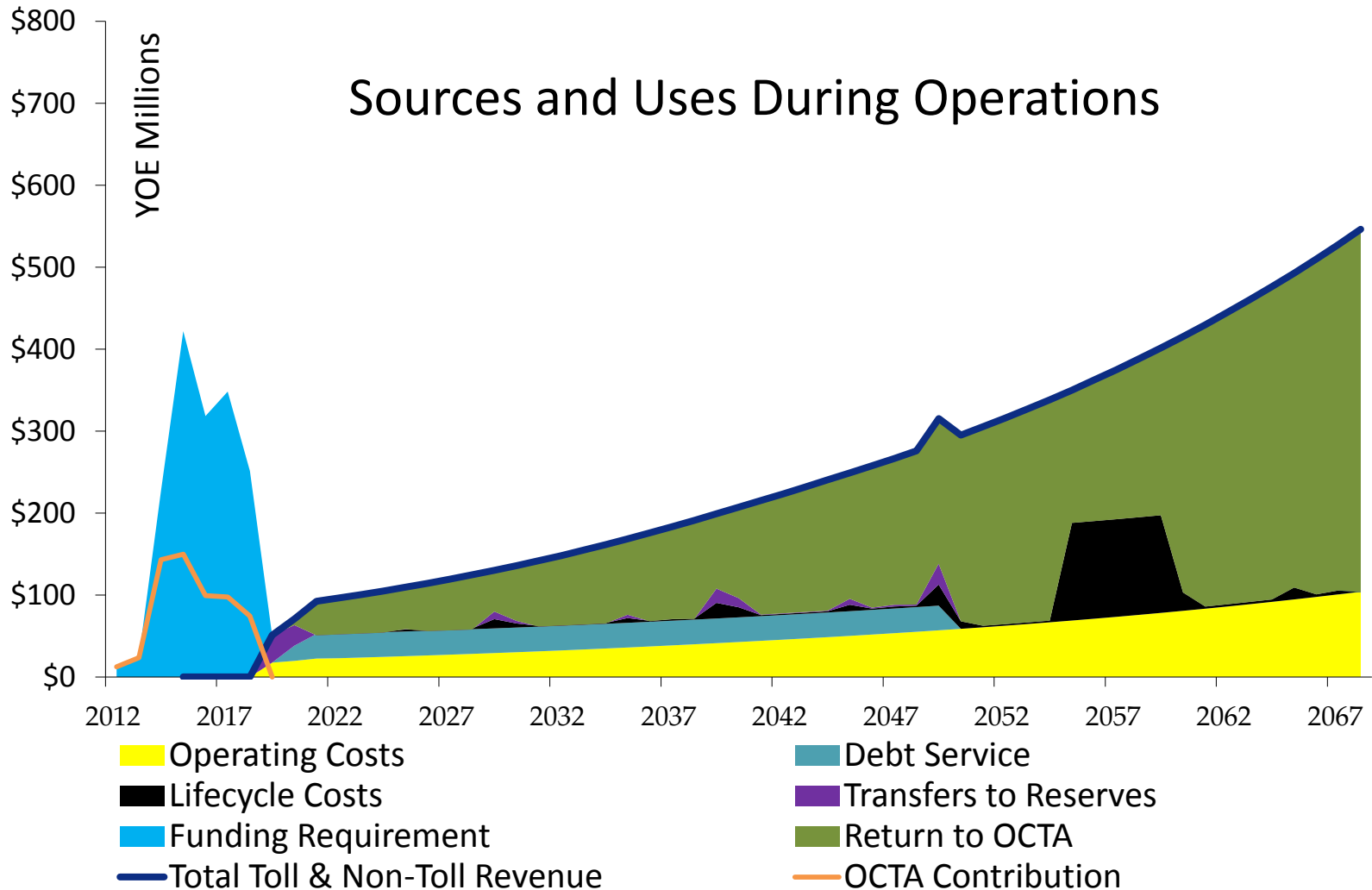
- Upfront needs include \$1.4B (M2 and external funds)
- Non-recourse toll bonds for early construction ~ \$300M*
 - Likely BBB- or BBB rating
 - Assumes level debt structure
 - Requires 1.75x debt coverage ratio
 - Requires capitalized interest
- Uses 91 Express Lanes toll structure, non-toll revenue and operating cost model
- Generates \$2.8B net revenue by 2048**



* Non-recourse bonds are paid solely from express lanes toll revenues.

** Does not reflect M2 debt service; revenues are expressed in nominal dollars.

Self-Finance Cash Flow

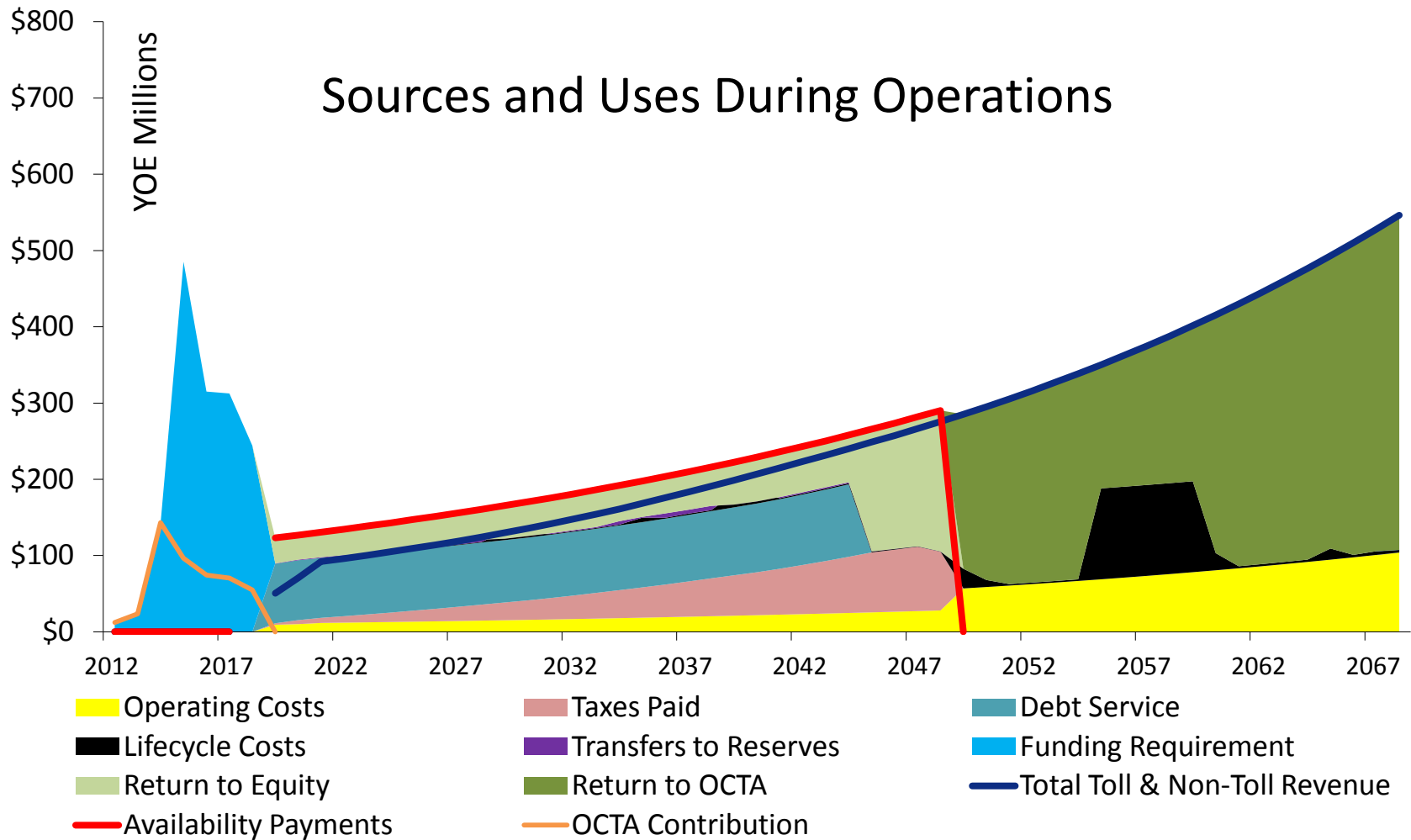


AP Contract Characteristics

- Assumes \$400 million from M2 with \$1.2B from contractor
- Contractor raises 100 percent of design and construction costs
- 30-year AP cost is \$5.8B
 - \$123M in 2018, growing to \$290M in 2048
 - OCTA responsible for any revenue shortfall
 - First year shortfall ~ \$70M
- 30-year toll revenue estimate is \$4.9B
- Net shortfall is \$900M

The logo consists of the letters 'A' and 'P' in a bold, orange, sans-serif font. The 'A' and 'P' are connected at the top and bottom, with a small gap between them in the middle.

AP Cash Flow

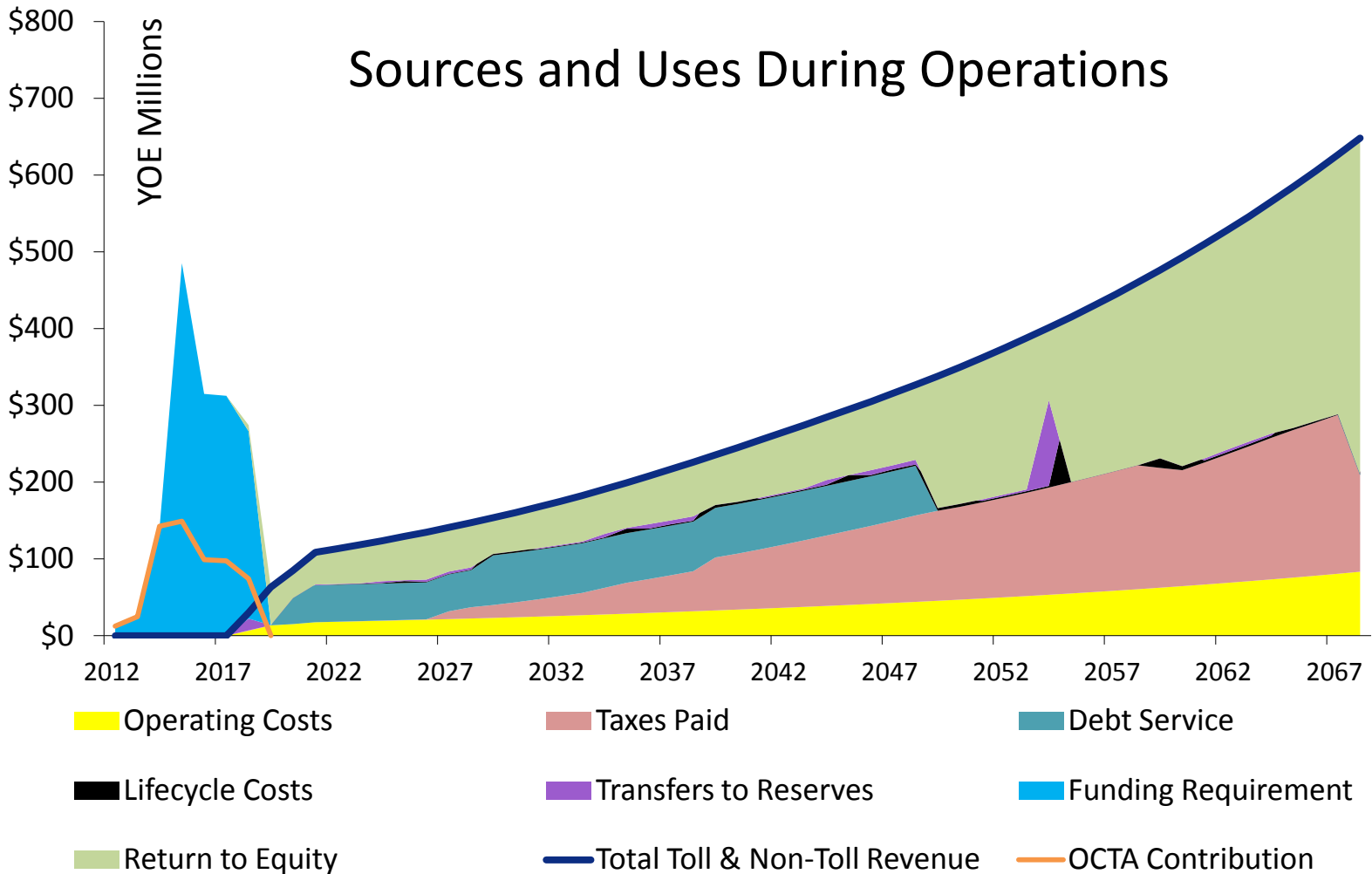


P3 Concession Characteristics

- Assumes \$600M from M2 and \$800M from concessionaire
- Funding shortfall is \$200M
- 50-year concession
- Concessionaire responsible for construction, financing, O&M, lifecycle costs
- Concessionaire keeps 100 percent of revenue and assumes 100 percent of revenue risk
- Assumes 20 percent higher T&R as compared with Stantec forecast

A large, stylized blue logo consisting of the letters 'P' and '3' in a bold, sans-serif font. The letters have a slight 3D effect with a gradient and a shadow.

P3 Concession Cash Flows




Risk Transfer by Delivery Method

	Design	Build	Operations	Maintenance	Financing	Revenues
Option 1 (Self-Finance)	●	●	○	○	○	○
Option 2 (Availability Payment)	●	●	●	●	●	○
Option 3 (P3 Concession)	●	●	●	●	●	●

○ Responsibility of OCTA
● Responsibility of the Private Sector

OCTA



Private Sector

Alternative 3 Options Comparison (In Billions \$)

Column	A (A=B+C+D)	B	C	D	E	F	G	H (E-F-G=H)
Delivery Options	Total I-405 Project Cost	M2 Assumption	Debt/Funds Available for Construction	Funds Needed	Toll Revenue Estimate	Total O&M and lifecycle	Toll Road Debt Cost/AP Payments	Net Toll Revenue to OCTA (30 Years)
SF	\$1.7	\$0.6	\$0.3 (toll bonds)	\$0.8	\$4.9 (30 yrs)	\$1.2	\$0.9	\$2.8+
AP	\$1.6*	\$0.4**	\$1.2 (AP funds)	\$0.0	\$4.9 (30 yrs)	N/A	\$5.8	(\$0.9)
P3	\$1.6*	\$0.6	\$0.8 (concession)	\$0.2	N/A (concession)	N/A	N/A	\$0

* Estimates for AP and P3 reflects fewer project contingencies and consultant-provided cost variances

** Represents support and right-of-way capital costs only

+ Does not include debt service on M2 bonds; could be used to repay M2, accelerate toll debt retirement, or other purposes

Conclusions

SF

Self-finance gives OCTA local control and ownership of excess revenue

AP

AP contract requires payments regardless of toll revenues for 30 years. AP transfers control, OCTA keeps revenue; however, cost is greater than toll revenues and results in a shortfall.

P3

P3 concession transfers control and all toll revenues typically for 50 years

Next Steps

Description	Dates (2012)
I-405 DEIR/DEIS Release	May
I-405 DEIR/DEIS 45-day Public Review	May/June
I-405 Locally Preferred Alternative Selection	June/July
M2020 Recommendations and I-405 Delivery Model Selection	July/Aug
M2020 Plan of Finance	Oct/Nov

