

# Columbia River CROSSING a long-term, comprehensive solution.



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## Investment Grade Traffic and Revenue Analysis

In mid-2012 state leadership asked the Oregon Department of Transportation to accelerate plans for an Investment Grade Analysis on financing the I-5 Bridge Replacement Project with toll revenues. An extensive body of work began in September 2012 to produce a final Investment Grade Analysis by December 2013.

### Background

The I-5 Bridge Replacement Project relies on tolling revenues, along with state and federal monies, to replace the bridge, connect light rail, and improve corridor interchanges. An Investment Grade Analysis is necessary to determine if the toll revenue projections will be adequate to repay toll-related debt issued to fund construction of the I-5 replacement bridge. It is a rigorous analysis grounded in current data and future estimates, including traffic projections, socioeconomic forecasts and interest rates. The primary purpose of an Investment Grade Analysis is to determine if the projected revenue will be adequate to repay the toll debt service. In addition to being required by the bond market, this work also provides the state and taxpayers the most detailed and up to date information about the relative risk of tolls providing sufficient funding for the project.

ODOT, jointly with the Oregon state treasurer's office, developed a scope of work, interviewed consultants and hired [CDM Smith](#), a leader in the field of toll revenue forecasting, to serve a key role on a team of consultants with specialized expertise. As one of only a handful of recognized experts in this field, CDM Smith has a credible and validated forecasting record. [Parsons Brinkerhoff](#) used CDM Smith's work to prepare net revenue projections and [Public Resources Advisory Group \(PRAG\)](#) estimated the range of funding capacity of tolling, given the findings of the other two firms.

### Investment Grade Analysis key findings and assumptions

The Investment Grade Analysis found the following:

1) Tolling will produce the necessary revenue to construct the replacement I-5 bridge. Using conservative, and current, traffic and revenue estimates, the Investment Grade Analysis on toll-generated revenue and financing finds that tolling the I-5 bridge produces the revenue necessary to construct the toll-funded project elements.

The analysis concludes that \$1.35 - \$1.57 billion in net project funding is available under current market conditions, depending on the type of bonds and availability of a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and construction starting in 2015.

2) The analysis further concludes that additional revenue capacity could be available to the state if actual conditions are not as conservative as the assumptions and/or if policy decisions adjust the assumptions.

The Investment Grade Analysis includes several key assumptions:

- Toll rates analyzed are at or below the national average for comparable facilities.
- A reduced number of tolled I-5 bridge trips was assumed in order to ensure that revenue was not overestimated.
- Toll collection costs associated with the Oregon-led project have been factored into the net revenue estimates.
- Higher than current interest rates are assumed to accommodate potential time of sale and not overestimate revenue.
- Construction begins in fall of 2015 and pre-completion tolling starts no later than January of 2016. State funding is required in February 2014 in order to receive federal funds prior to the start of construction.
- The Oregon legislature has adequate authority to enact enforcement mechanisms to satisfy lenders.

### Next steps

Information will be presented to the [Joint Interim Committee on Interstate - 5 Bridge Replacement](#) in January 2014. Legislators will determine if state funding will be committed for the Oregon highway improvements in February 2014.

With state funding secured, the project will submit a TIFIA loan application to the Federal Highway Administration and an application to the Federal Transit Administration's New Starts program.

### Related Links

[Transportation Infrastructure Finance and Innovation Act \(TIFIA\) program](#)

[Preliminary Toll Funds Estimate Update](#) (Feb. 2013)

[Refreshed Traffic and Revenue Forecast](#) (Sept. 2013)

[Investment Grade Traffic and Revenue Study](#) (Dec. 2013)

[Updated Net Toll Revenue Projections Memo from Parsons Brinckerhoff](#) (Dec. 2013)

[Range of Estimated Project Funding Capacity of Net Toll Revenues Memo from Public Resource Advisory Group](#) (Dec. 2013)

[Investment Grade Analysis transmittal letter](#) (Jan. 2014)

[Investment Grade Analysis fact sheet](#) (Jan. 2014)

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