

Drafting the Future: **The Dollars and Sense of Toll Roads**



Toll Road Finance 101



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Highlights

- Bonding 101
- Toll Revenues: A Common Cents Approach



Bonding 101

What is a bond?

Are there different types of bonds?

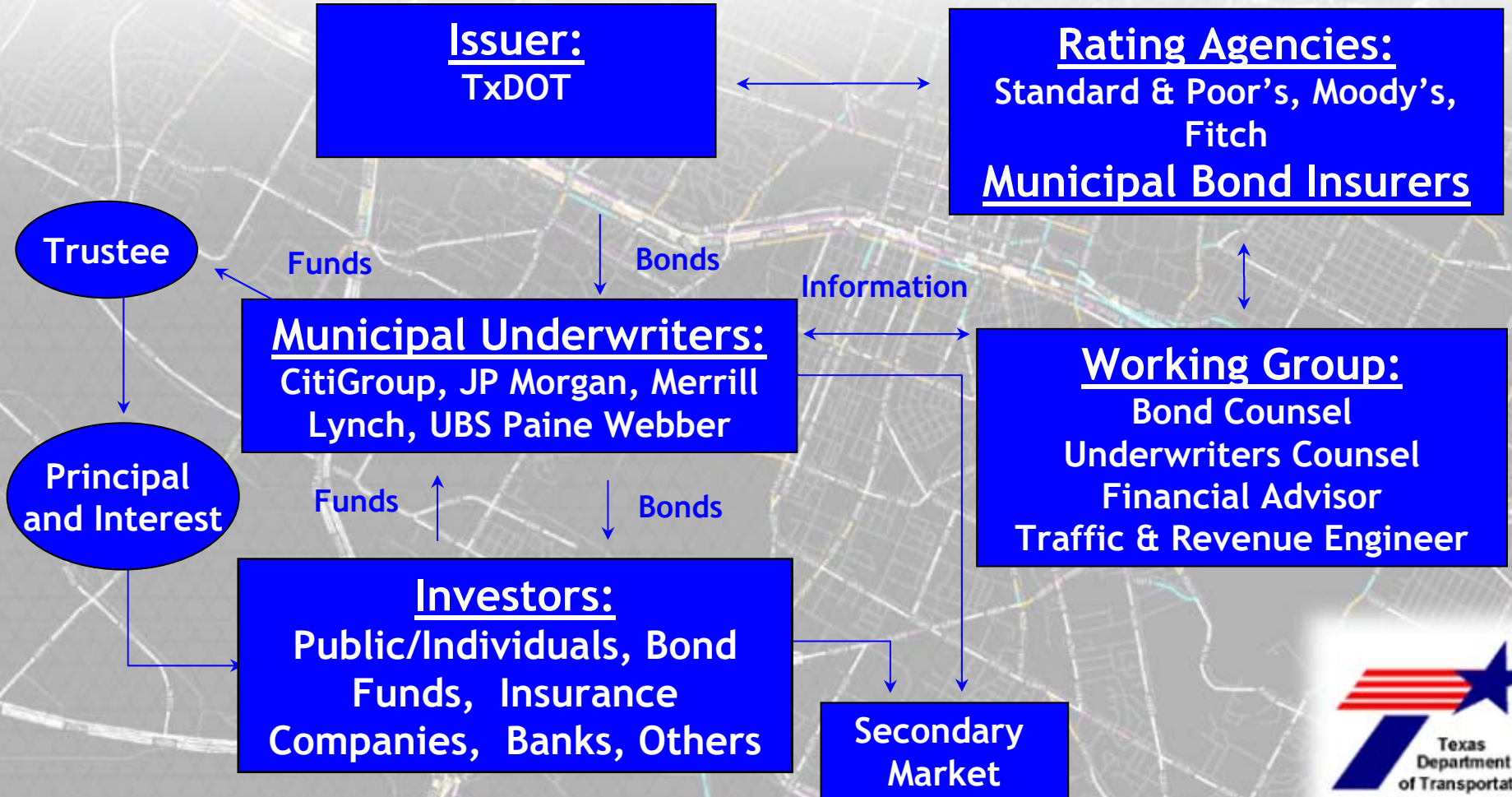
- **Corporate (Taxable)**
- **Municipal (Tax Exempt)**
 - **General Obligation (GO) Bonds**
 - **Tax/Fee Revenue Bonds**
 - **Project Revenue Bonds (e.g., Toll Roads)**



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Municipal Bond Process

Securities and Exchange Commission



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Bond Ratings

<u>Moody's</u>	<u>S&P/ Fitch</u>	<u>Grade</u>	<u>Risk</u>
Aaa	AAA	Investment	Highest Quality
Aa	AA	Investment	High Quality
A	A	Investment	Strong
Baa	BBB	Investment	Medium Grade
Ba, B	BB, B	Junk	Speculative
Caa/Ca/C	CCC/CC/C	Junk	Highly Speculative
C	D	Junk	In Default

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What is considered in a bond rating?

- Revenue Sources Stability, Predictability & Growth
 - Traffic and Revenue study for Toll Roads
- Management of the Department
- Operations of the Department
- Legal Structure of the Debt Transaction
- Essentiality of the Projects (Project Revenue Bonds)

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The affect of bond ratings:

	AAA		AA		A		BBB	
2004	1.00	1.06	1.14	1.23	1.34	1.47	1.64	1.79
2005	1.16	1.23	1.28	1.38	1.52	1.68	1.82	1.97
2006	1.58	1.65	1.73	1.83	1.94	2.08	2.22	2.37
2007	1.98	2.06	2.14	2.24	2.36	2.50	2.63	2.78
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2013	3.61	3.69	3.79	3.91	4.04	4.19	4.33	4.48
2018	4.15	1.23	4.33	4.44	4.57	4.72	4.86	5.00

Source: Delphis-Hanover Market Close for 10/02/2003



Toll Revenues: Common Cents Approach

- Increasing Demand
- Limiting Supply
- Tolling as a Funding Option
- Measuring Toll Viability
- Developing Creative Business Plans



Ways to Increase Revenues (Demand)

Marketing- Develop a Marketing Plan:

- Who Are Your Customers?
- What Do They Want?
- Give It To Them.
- Be Positive.
- Initiate Grass-Roots Support.
- Branding-Name Recognition



Limiting the Alternatives (Supply)

- Free alternatives mean lower revenues
- Avoid Frontage Roads or Use Discontinuous Frontage Roads
- Don't Overbuild
- Limit Competing Facilities
- Consider legal and mobility issues



Tolling as a Funding Option

- Tolls are one source of revenue
- Tolls can be used with or without revenue bonds
- Different considerations are made if revenue bonds are issued



Measuring Toll Viability

- Few projects are 100% toll viable
- How much is enough?
- Are project revenue bonds issued?
- What are the added requirements?
- Traffic / Revenue risk



Developing Creative Business Plans



- Learn about toll authorities and toll conversion options for your District.
- Know the available funding sources.
- Be a proponent of tolling.
- Know the benefit of toll roads.
- Resources:
 - Turnpike Division- Feasibility and Planning
 - Finance Division- Bond Issuance
 - OGC- Toll Options and Legal Issues