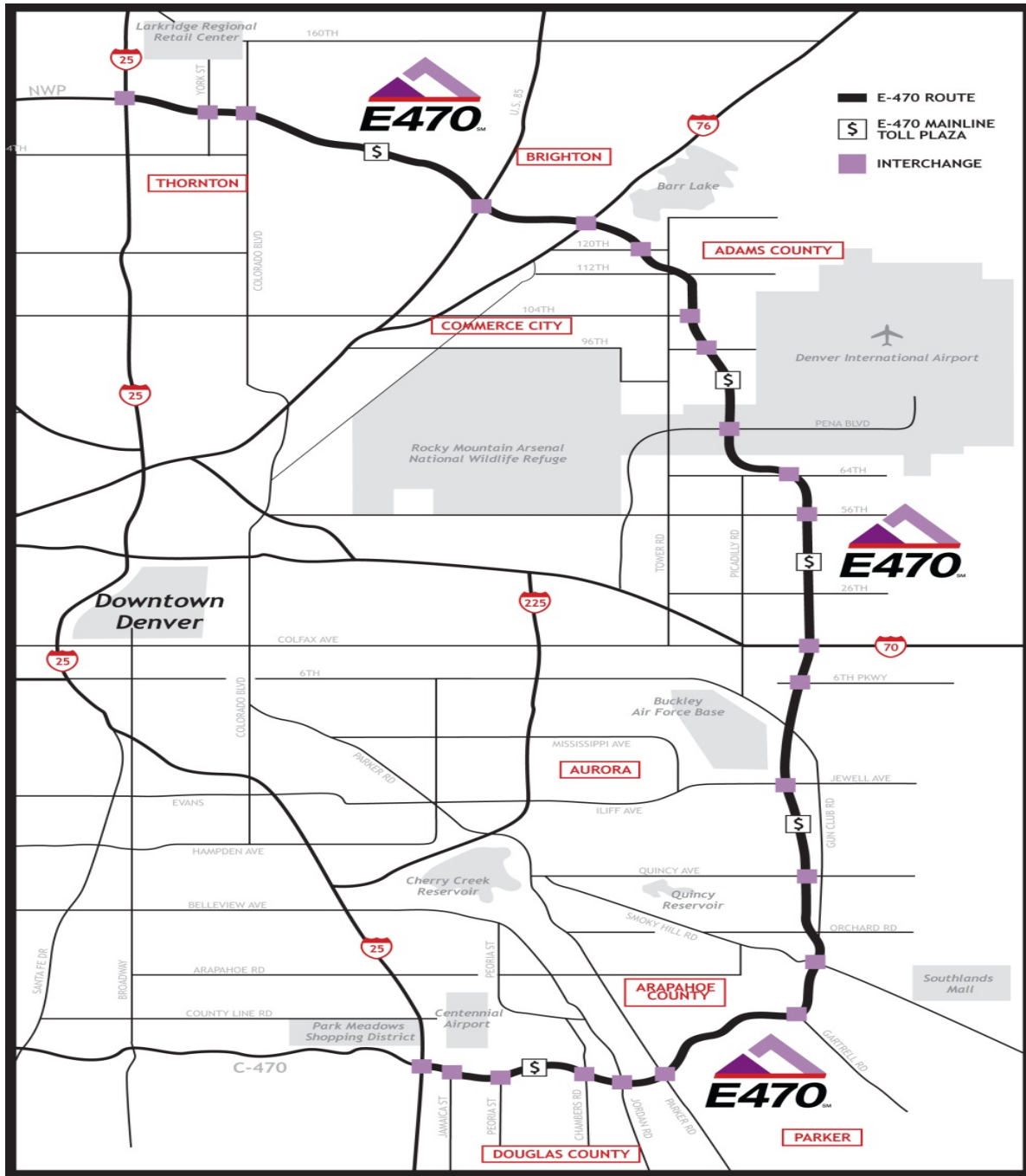




E-470 Public Highway Authority



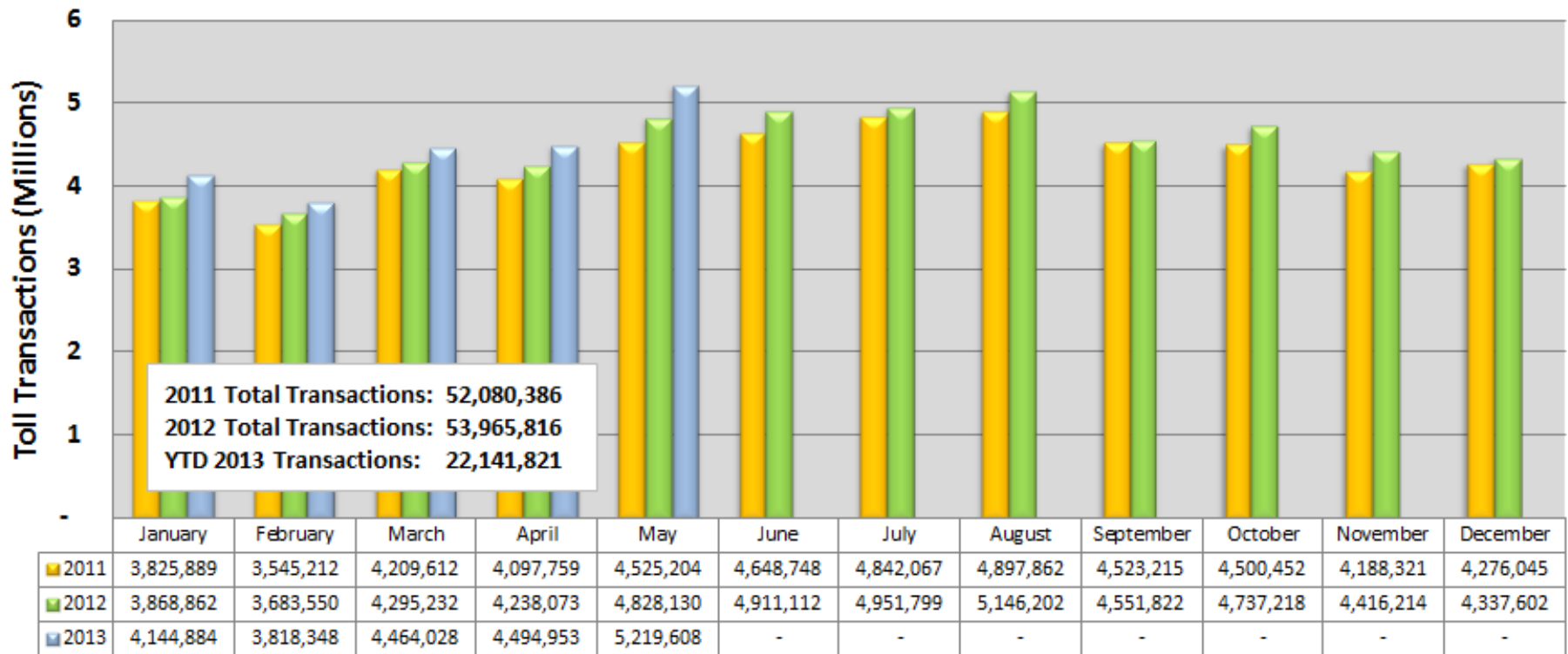




Traffic Growth Trends in Monthly Toll Transactions

2012: 3.6% growth over 2011

YTD 2013: 5.9% growth over 2012





Electronic Tolling Update

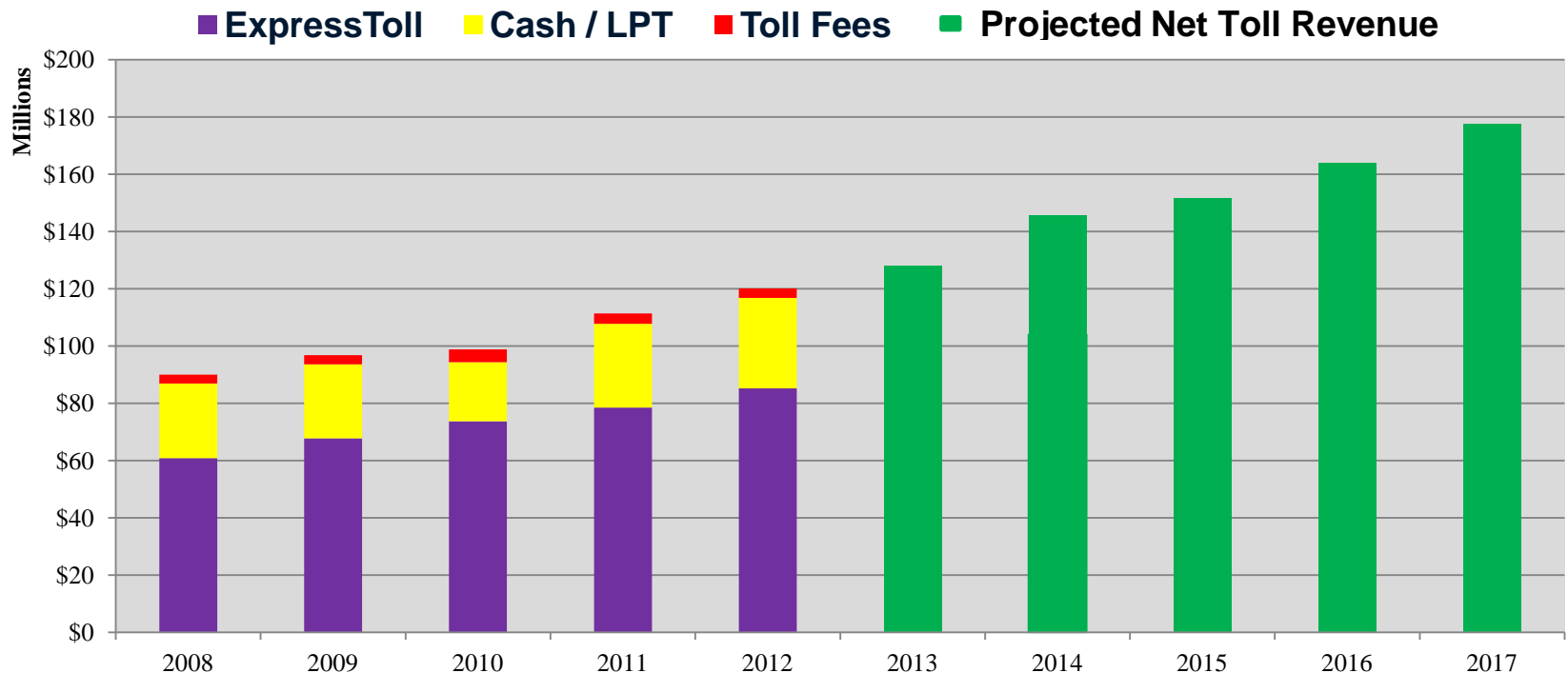
- **ExpressToll™**
 - ExpressToll™ customers are required to prepay their accounts by cash, check, or credit card.
 - 915,700 transponders issued as of 05/31/2013
 - 71.7% of all 2012 toll transactions were ExpressToll™
- **License Plate Tolling (LPT)**
 - Captures images of the vehicle of which the registered owner will receive a statement of use for toll collection
 - LPT customers pay a 25% premium over ExpressToll™ customers
 - Total LPT Collection Rate: 79%
 - Majority of uncollectable amount is due to rejected images



Historical and Projected Net Toll Revenue⁽¹⁾

Historical: 2008 to 2012

Projected: 2013 to 2017

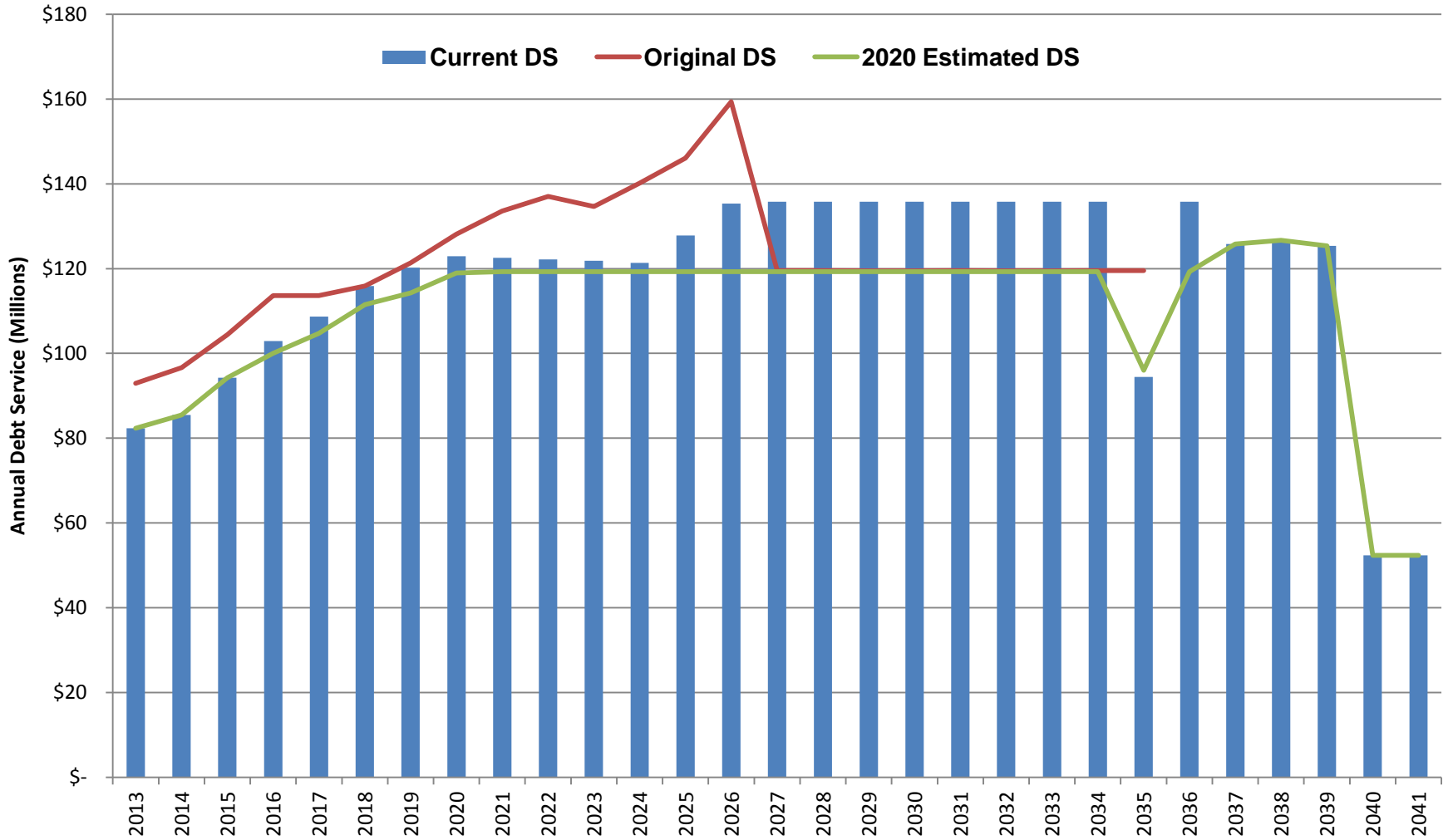


Source: 2013 is the budget amount, 2014 – 2017 amounts are based from the 2011 Traffic and Revenue update

Notes: ¹ Net of Uncollectable Amounts, Includes charges resulting from toll fees estimated at \$3 mil. from 2013-2017 5



Debt Structure





2011 & 2012 Operating Results

2013 Operating Budget

(\$000)	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Budget</u>
Revenue			
Tolls and Fees	\$111,362,600	\$120,063,700	\$127,800,000
Vehicle Registration Fees	9,229,400	9,535,600	8,860,600
Investment Income	6,132,600	5,840,500	5,700,000
Other Authority Revenues	1,794,100	1,567,900	2,090,000
Total Revenues	128,578,700	137,007,700	144,450,600
Operating Expenditures			
Salary & Burden	5,014,000	5,347,700	5,772,800
Operations	20,983,400	22,780,700	24,700,800
Total Operating Expenditures	25,997,400	28,128,400	30,473,600
Net Revenues	\$102,581,300	\$108,879,300	\$113,977,000
Debt Service	65,123,400	74,737,500	81,846,000
Debt Service Coverage	1.57	1.46	1.39



Debt & Swap Summary

Debt Service Due

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change %</u>
Sr. Bonds Debt Service Payments Due	\$74,737,500	\$81,846,000	\$85,455,500	4.4%

\$1.6 billion outstanding as of 12/31/12

**Ratings: Moody's - Baa2, S&P/Fitch BBB-, all stable
outlooks**



Swap Portfolio

Current Interest Rate Swap Fair Values:

	<u>3/31/13</u>
JPMorgan \$120.2 million LIBOR original swap (2007)	\$(35.6) million
Morgan Stanley-1 \$120.2 million LIBOR original swap (2007)	(34.8) million
Morgan Stanley-2 \$66.1 million LIBOR offsetting swap (2008)	0.8 million
Morgan Stanley-3 \$101.7 million SIFMA offsetting swap (2008)	<u>17.9 million</u>
Total swap net fair value liability	\$(51.7) million



Why Were the Swaps put into place?

- Refunding of the Authority’s Series 1997A bonds.
- Refunding had savings target and also helped level debt profile.
- The swap was considered based on estimated extra savings over a current fixed refunding.

Rates at Time of Refunding			
	LIBOR	67% of LIBOR	BMA
	5.32%	3.56%	3.62%

Transaction Summary			
	AIC	Total D/S	Projected Savings
Series 2007	4.40	\$760,395,603.00	3.543%
Fixed Rate Estimates	5.13	\$807,807,449.28	-1.688%

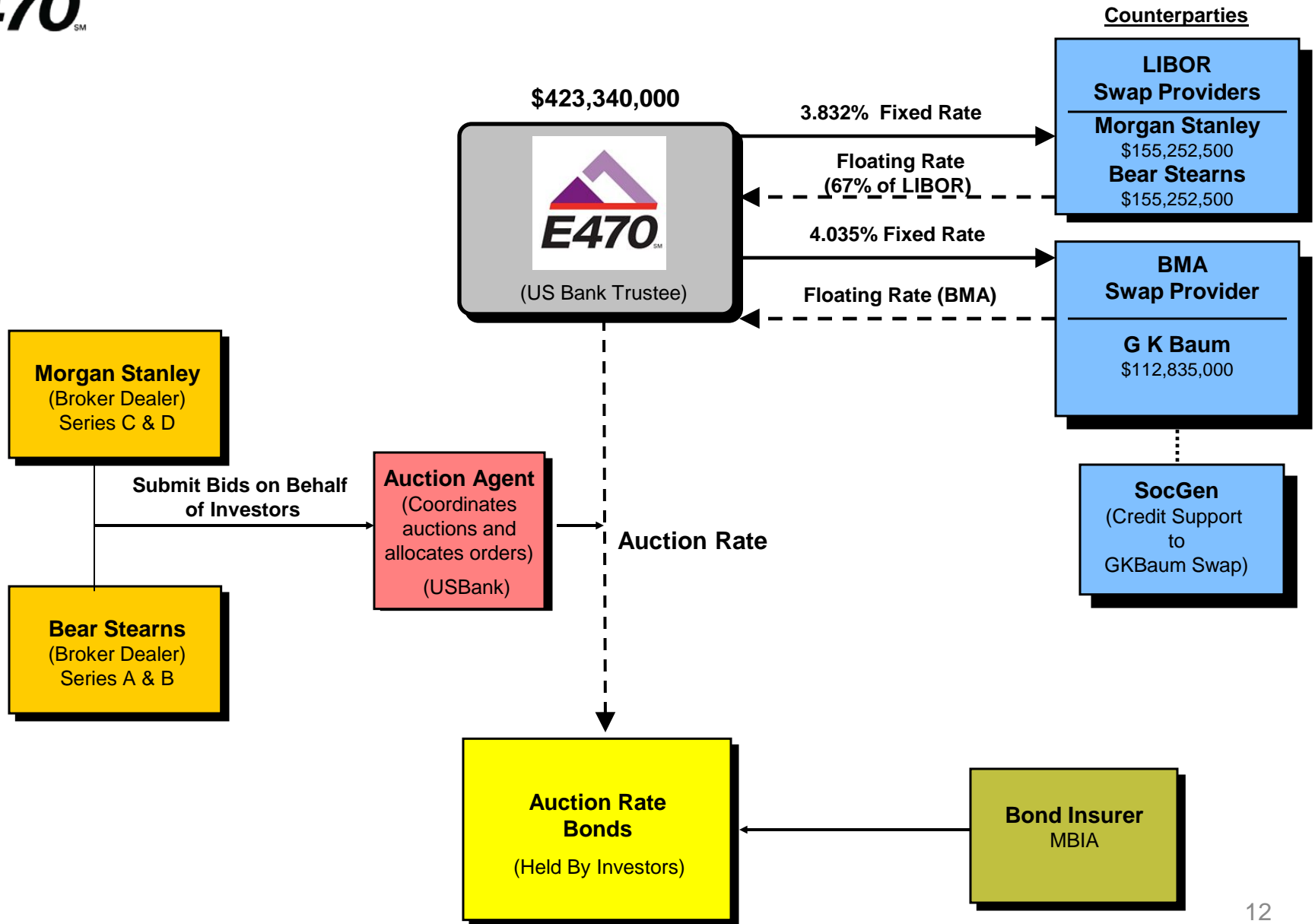


Transaction Summary

- Structure:
 - Underlying bonds all auction rate bonds with different periods.
 - Bear Sterns and Morgan Stanley served as Broker Dealer and counterparties to the swaps.
 - MBIA insured P&I and Swaps.
- Pricing:
 - Final savings estimates
 - NPV (\$) 14,673,902
 - NPV (%) 3.543%
 - AIC : 4.400%



2007 Refunding Bonds Interest Rate Swap

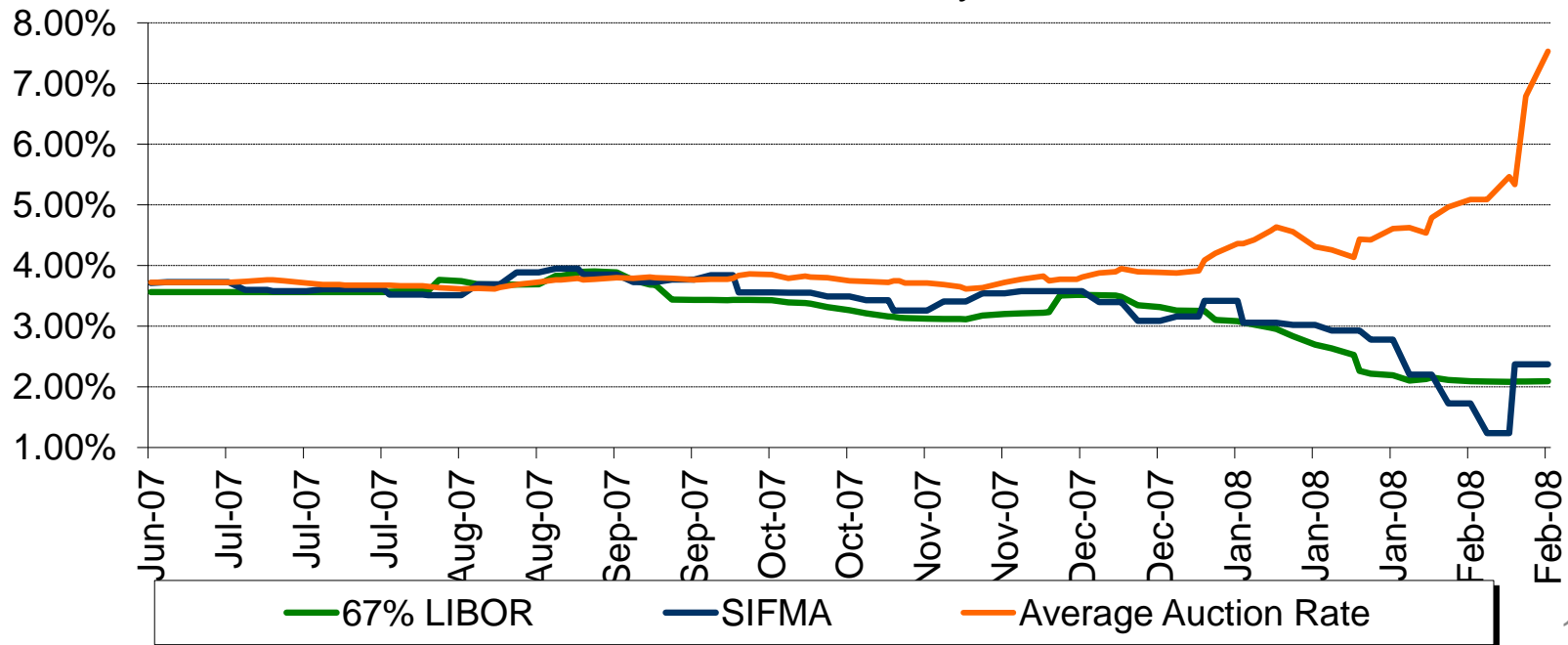




Failure in the Auction Rate Market

- Late 2007 Auction Rates begin to diverge from BMA and LIBOR.
- Early February 2008 Bear Stearns request that it be removed as Broker Dealer on Series 2007A&B.
- March 14, 2008, Federal Reserve provides loan to Bear Stearns as the company begins to collapse.
- May 27 -30 E-470 converts bonds to fixed rate current interest and soft put term bonds.

Historical Performance of Series 2007A-D Bonds vs. SIFMA & 67% LIBOR
June 19, 2007 to February 27, 2008





2008 Remarketing

Structure:

- Converted front end of issue through 2024 to fixed rate current interest.
- Terminated BMA Swap.
- Entered into Basis swap for 5 maturities to avoid termination of LIBOR swap.
- Converted long dated maturities to fixed rate soft put bonds (3 year and 5 year).
- Entered into offsetting swaps during term period.



Refunding/Remarketing History

2010 – E-470 does a partial termination and issues fixed rate for \$70,125,000 of swapped bonds.

2011 – E-470 Refunds \$72,565,000 of term rate (soft put) bonds into SIFMA index notes.

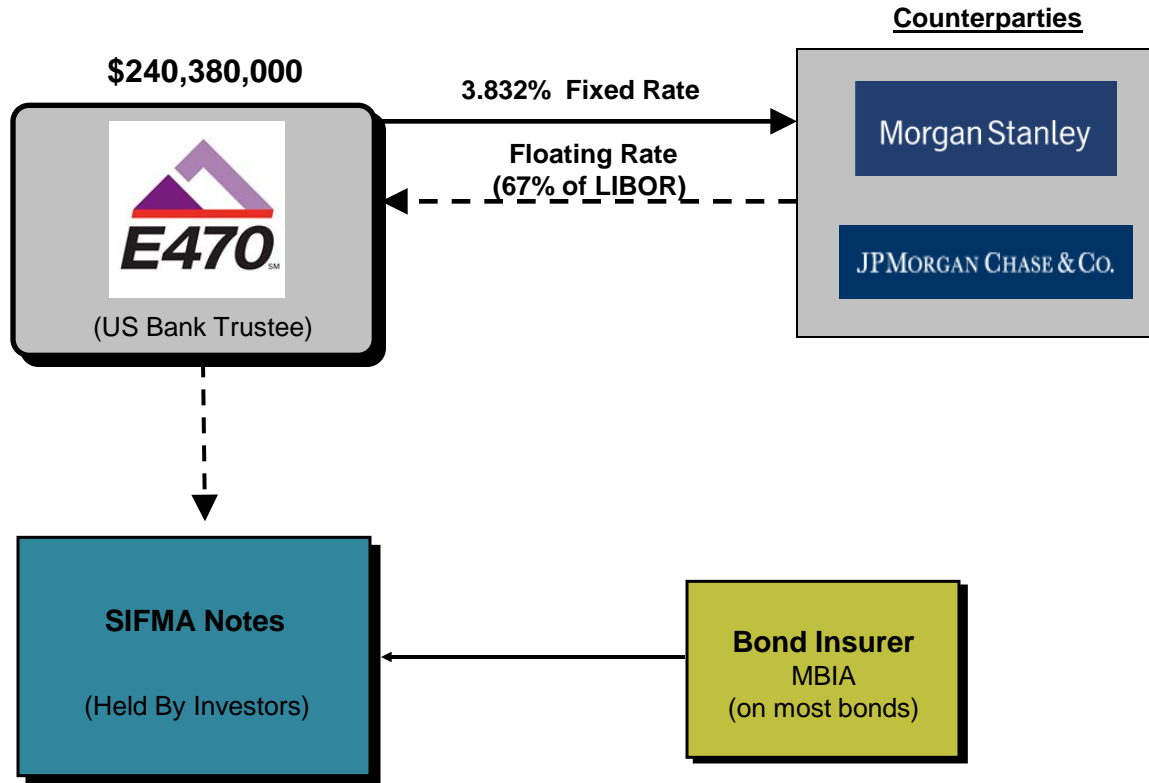
- Swap stayed in place to hedge notes.
- 3 year notes priced at SIFMA plus 272 bps.

2013 – E-470 is working on remarketing last term rate bonds into SIFMA index notes.

- Estimated 3 year note pricing is SIFMA plus 130 bps.
- Swaps will hedge notes.



LIBOR Swap Structure (after anticipated 2013 remarketing)



<u>Current Effective Interest Rate</u>			
<u>Floating Rate</u>		<u>Fixed Rate</u>	
E-470 Pays	67% LIBOR to MS2	E-470 Pays	3.8320%
E-470 Receives	67% LIBOR from MS1 JPM1	E-470 Receives	2.6185%
Net Payment	0.00	Net Payment	6.2135%

<u>Anticipated Effective Interest Rate</u>	
E-470 Pays	3.8320%
E-470 Pays SIFMA + Spread	1.4200%
E-470 Receives 67% LIBOR	0.1400%
Net Payment	5.1120%



BASIS SWAPS – THROUGH 2023



Payment Summary

Floating Rate

E-470 Pays	SIMFA	to MS3
E-470 Receives	67% LIBOR	from MS1 JPM1
Net Payment	0.00	(E-470 has basis risk)

Fixed Rate

E-470 Pays	3.83200%	to MS1 JPM1
E-470 Receives	3.51800%	from MS3
Net Spread	0.31400%	



Dodd Frank Protocols

- Effort to increase regulator oversight of derivatives and disclosure to end users
- Governments need to register and complete questionnaires for each of the two current protocols
- Governments must adopt a swap policy and have a name a Qualified Independent Representative (QIR) to review any proposed derivative transaction (typically a financial advisor)
- Governments must match with a counterparty for that counterparty to be allowed to discuss swaps with the government entity
- Some extra cost (\$200 for CICI and \$500 for each protocol), the process is cumbersome but easier the second time you have to do it
- Bottom line, there's some up-front headache and time commitment, but then you're in a similar position to where you were before



E-470 Public Highway Authority

