

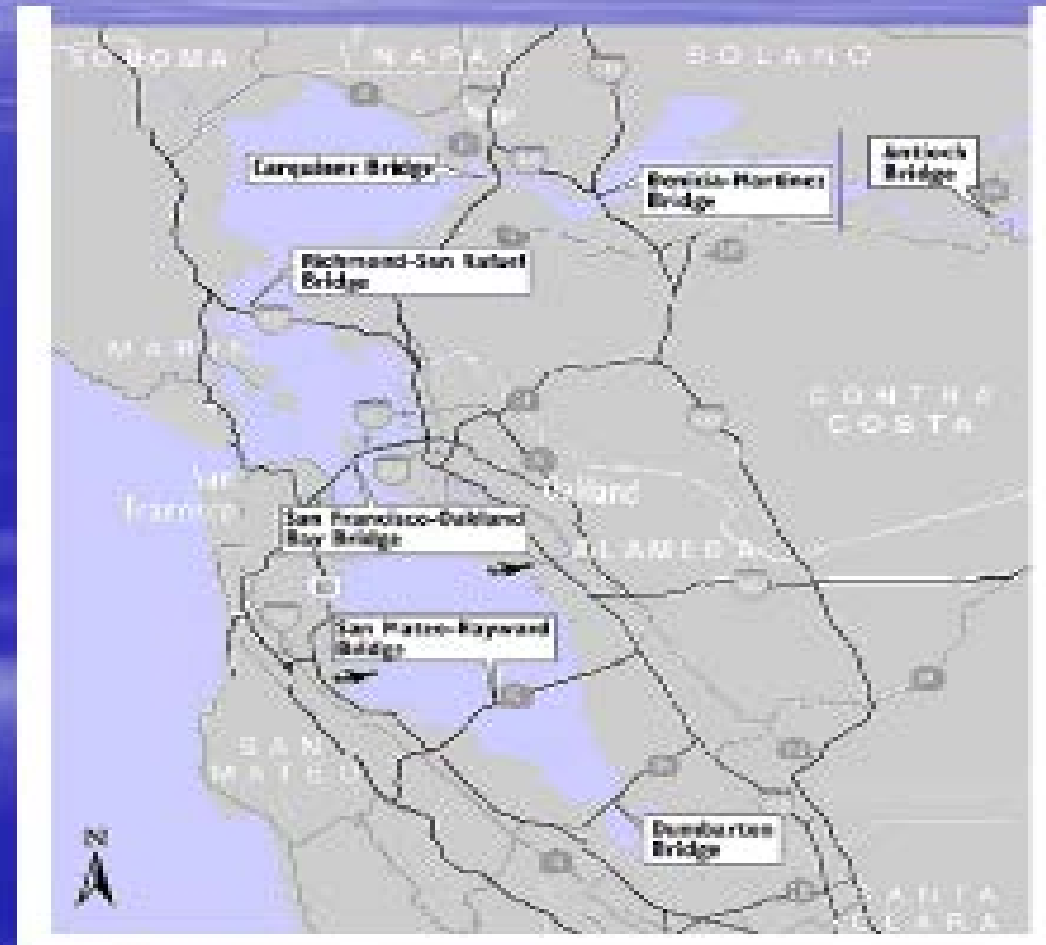
IBTTA Transportation Finance & Road Usage Charging Conference

Toll Revenue Diversion – Risks and Rewards

**Brian Mayhew
Bay Area Toll Authority
April 28, 2015**

Bay Area Toll Authority

- BATA is a enterprise of MTC the regional planning agency
- BATA is the regional toll administering agency for the seven state owned toll bridges
- BATA was created in 1999 to administer base toll
- The toll has been raised four times since BATA took over administration of the system
 - 1988 RM1 – base toll - \$1.00
 - 1998 Seismic funding - \$2.00
 - 2004 RM2 passed - \$3.00
 - 2005 Seismic increase - \$4.00
 - 2010 Project increase - \$5.00
- Annual revenue stream exceeds \$800 mm
- Capital project funding exceeds \$15 billion and we are done with 90%



Diversion: Diverting Or Turning Aside From A Course Or Purpose

- The Bay Area Toll Authority (BATA) collects nearly \$800 million per year for the purpose of:
 - Operating and maintaining the 7 bridge toll system
 - Completion of 1999 \$2.4 billion voter approved RM1 program
 - Completion of 2004 \$1.5 billion voter approved RM2 program
 - Completion of 2005 \$12 billion state program to seismically retrofit the seven Bay Area toll bridges
 - Continuing bridge rehabilitation program currently at \$1 billion
- With all the voter and legislature assigned responsibility committed to current project and operating obligations its hard to see where there is any revenue to divert for other purposes

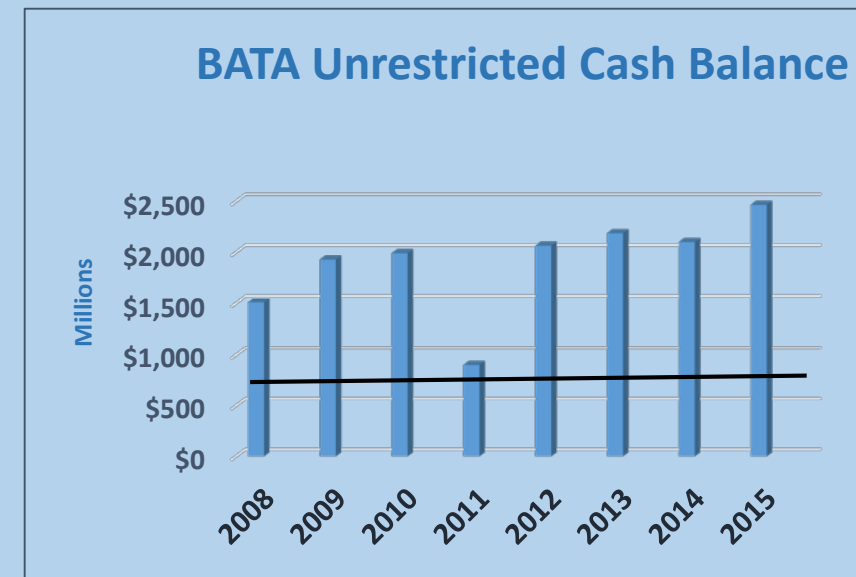
Risk Of Diversion Grows When An Operation Has A Strong Balance Sheet And The Means To Pass Through Costs To Others

- **BATA As Part Of Its Credit Structure Has Built A Significant Level Of Operating Liquidity**

- BATA collects over \$800 million annually
- Programmed BATA operating requirements (annual):
 - \$500 for debt service
 - \$100 million for bridge operations
 - \$60 million annual bridge rehabilitation program funding
 - \$42 million annual operating commitment (RM2)
- BATA does have a significant operating balance
- In addition BATA has the ability to raise the toll for purposes of supporting the operations, maintenance and voter / legislature authorized purposes

BATA Also Maintains A Significant Liquidity Balance First As Construction Cost Contingency And Then As Protection Against A Major Seismic Event

- Starting in 2001 BATA committed to maintaining a restricted, fully funded liquidity reserve
 - Initial RM1 established a reserve of \$300 million
 - 2004 (RM2) the reserve was increased to \$600 million
 - 2005 (seismic retrofit) that balance was increased to \$1.0 billion
- BATA's cash assets have increased significantly over the years
- Having cash does not mean its not fully committed:
 - Over \$2.0 billion in active projects
 - \$1.0 billion liquidity reserve
- The reserve goal is to protect the enterprise for 18 months after a major seismic event – without raising tolls

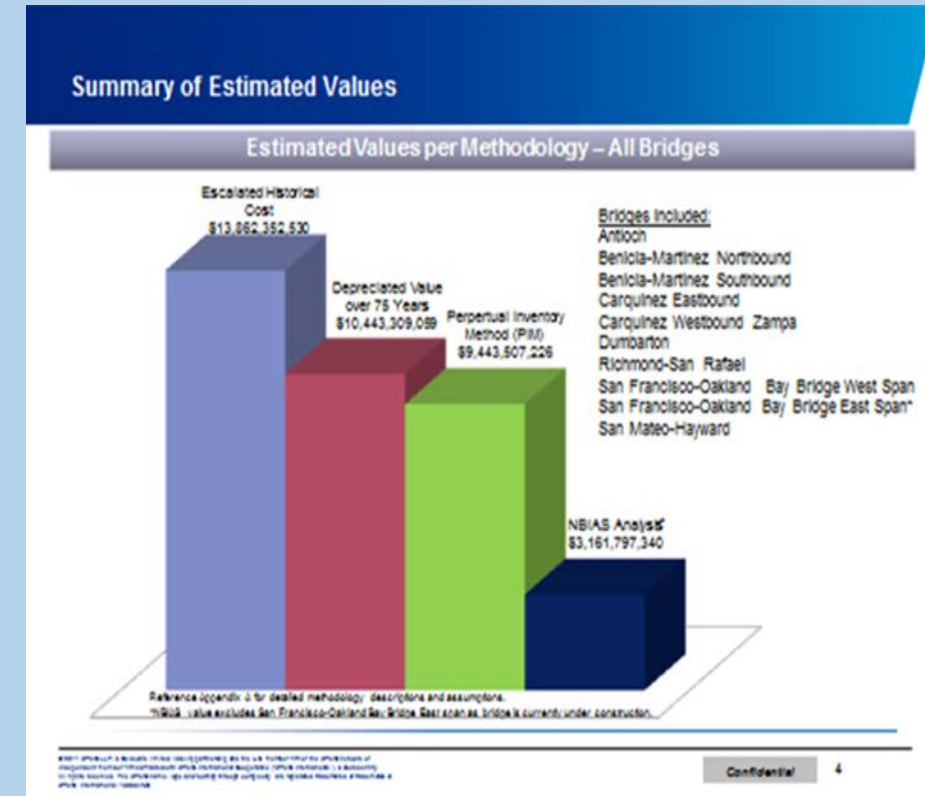


With Most of BATA's Construction Program Completed There Has Been Pressure To Fund Projects Off The Bridges

- **With our strong balance sheet there is growing pressure (internal & external) to expand the definition of BATA's "purpose"**
- **Some of the off bridge "interpretations" include:**
 - Increase maintenance funding
 - Cover cash flow shortfall for certain regional projects
 - Increased or new transit operating subsidies
 - Additional funding for new and existing projects
 - Expansion to HOV / ELN networks
- **These requests were relatively easy to deal with when we had \$15 billion in construction in front of BATA ... Now???**

It Is Not Easy To Divert Fees In California And BATA's Toll Revenue Has Even More Protection

- **State law (Prop 13 / 62)**
 - BATA cannot charge a toll in excess of what is necessary to operate and maintain the system
- **BATA legislation prohibits certain State actions that would:**
 - Interfere with BATA's ability to collect tolls
 - Interfere with obligations to bond holders and bond covenants
 - Reduce requirement that toll rates are sufficient to meet all project / covenant obligations
- **Legislative protections are prominently displayed in every BATA offering document**
- **Anyone "interfering" would first have to ...**
 - Defeasé over \$10 billion in toll debt
 - Assume O&M responsibility (\$160 mm)
 - Maintain \$42 million transit operations
 - Prepare for repair / replacement of \$13 billion asset
- **Toll equivalent of interfering = \$6.50**



Nevertheless BATA Has Accepted A Carefully Selected Number Of Non-Toll Bridge Projects As Appropriate For Toll Use

- The Board has authorized the use of toll funds in several projects of “regional significance”
 - \$500 Million for regional transportation projects included in the regional transportation plan and allowed under RM1
 - \$326 million for support of the regional express lane initiative
 - \$250 million to support increased replacement of regional rolling stock
 -
- Funds are not being “diverted” but are being utilized to support BATA’s long range financial plan and stated purpose of supporting regional transportation

