

INFORMATION SOURCES FOR THE NICK BRIDGE GOES TO THE BANK VIDEO

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All the numbers in the video should be multiplied by 1000 to get the numbers in the Knik Arm Bridge and Toll Authority (KABATA) Pro Forma financial spreadsheet (www.knikarmbridge.com/Templates/tifia/docs/pro-forma.pdf or www.knikbridgefacts.org). So a \$686,000 house in the You Tube video = a \$686 million bridge in the KABATA Pro Forma and the \$3.2 million in house payments becomes the \$3.2 billion in "availability payments" over 35 years that would be paid out by KABATA, a state agency, to the private company building the Bridge. Likewise, the \$41,000 second mortgage in the video is the \$40,792,688 in Capital Accretion Bonds in the KABATA spreadsheet with payments starting in 2034 and totaling \$248,427,817 before being paid off.

KABATA submitted its Pro Forma spreadsheet on 3/1/11 to the federal government in a Letter of Interest application asking for a \$306 million federal TIFIA low-cost loan. Last year's application for the same loan estimated availability payments at \$6.3 billion over 55 years (as opposed to \$3.2 billion over 35 years in this year's application) and did not include the \$150 million guarantee by the state (see p. 3, www.knikarmbridge.com/documents/ExhibitDthroughG.pdf). Both applications explain that the shortfall between expected toll revenues and the amount needed for the private partner to pay Bridge costs and make the bond payments are "availability payments [that] will be subject to appropriation from the state of Alaska" (see p. 6, www.knikarmbridge.com/documents/TIFIAcoverandLOI.pdf).

Senate Bills 79 and 80 and House Bills 158 and 159, now being considered by the legislature, commit an additional \$150 million in General Fund money to KABATA and also provide a state guarantee on any KABATA bonds issued or any contract KABATA signs with a private partner subject to annual legislative appropriations. KABATA's existing statute (see Alaska Statutes 19.75.211.3 (g)) says KABATA cannot issue debt guaranteed by the state or create a state liability; the bills now being debated in the legislature would change that.

KABATA in March 2010 told the Anchorage Assembly ("Ann Muni" in the video) and Anchorage Metropolitan Area Transportation Solutions (also known as AMATS, the Anchorage transportation decision-making authority or "Jay Mats" in the video), that the private partners would be taking the financial risk of the project. KABATA also argued that the Bridge would not be subject to federal "fiscal constraint" requirements – bureaucratized that any public dollars to the Bridge would not count against other planned Anchorage area transportation projects.

Issues Involving Population and Toll Estimates

Projected population numbers are the key to estimating future toll revenues so it's not surprising that KABATA's projected Mat Su Borough population numbers are much higher than all other sources.

In 2007, KABATA did not want to use UAA Institute of Social and Economic Research's (ISER's) number for a projected Mat Su Borough population in 2030 of 204,400 and instead hired Insight Research Corporation of Dallas, Texas whose number for Borough 2030 population was 250,700 (see p. 9, www.knikarmbridge.com/documents/10082007ProposedKnikArmBridgeFinalTrafficandTollRevenueForecastDRAFT.pdf). Scott Goldsmith at ISER in 2009 reduced his 2030 Borough estimate to 169,000 (see p. 69, www.highway2highway.com/documents/Technical%20Reports/122309%20H2H%20ISER%20Technical%20Memo.pdf) and that was the number used to estimate Glenn and potential Bridge traffic for the proposed "Highway to Highway" project.

In December 2010, the state demographer, Elisabeth Mercer, published a projection for the Mat Su Borough in 2034 to be 152,456 (see p. 10, www.labor.state.ak.us/trends/dec10.pdf).

The Alaska Department of Transportation and Public Facilities (DOT&PF) has refused repeated requests by citizens and legislative offices to release its estimated 2030 traffic numbers between the Valley and Anchorage (Old Glenn – Glenn Highway intersection) and its estimate of Bridge traffic numbers. The Government Hill Community Council filed a Public Records Act request on March 10, 2011 for those traffic numbers; as of this date, this request has not been responded to by DOT&PF.

Because of questions raised by AMATS Technical Advisory Committee members and the public, KABATA recently hired contractor Wilbur Smith Associates (WSA) to redo its estimated traffic and revenue numbers. The new numbers reduce toll revenue by 12% in 2030. The 2010 US Census said 88,995 people live in the Borough. The state demographer has the Borough growing by 63,461 people by 2034 from the 2010 Census; that is less than half the number of people WSA population projects for the Borough to reach four years earlier.

Financial Analyst Information

The most frequent non-financial questions I faced in Juneau during my 2011 Senate and House Transportation Committee testimony were "who are you?" and "why are you doing this?" I live in South Anchorage so my neighborhood would not be directly affected by the Bridge and its ramps. No one has paid me for my time the last two years working to decipher KABATA's financial information or to go to public hearings.

Over a year ago, I produced a simple spreadsheet estimate on the project using KABATA and federal numbers (www.knikbridgefacts.org/financials10.pdf) because KABATA had not then published any financial spreadsheet on the project. My estimate then was that Bridge deficits for the first 10 years would average \$25 million/year, about what the Mat Su Borough and the Municipality of Anchorage each have averaged spending using state and federal transportation funds for roads, public transportation, etc., during the last decade. Since issuance of this spreadsheet, citizens and AMATS have discovered the Borough population over-estimate by KABATA and interest rates for long-range municipal revenue bonds have gone up. My current estimate of Bridge deficits (estimated toll revenue minus Bridge costs) is now about twice my previous estimate of \$25 million/year. Even that higher number assumes that KABATA will be given the \$306 million federal loan it applied for which is unlikely given the relatively small pool of TIFIA loan money to be distributed nationwide. Other projects will be better able to demonstrate that they will relieve more existing congestion, possess a private partner taking the downside risk, and include a state commitment for fixed annual availability payments (as opposed to ballooning annual payments) over fewer years than the Knik Arm Bridge.

As background, I retired in 2003 after 7 ½ years as Executive Director of the Alaska Science and Technology Foundation, a former state agency with a largely private sector Board which worked with entrepreneurs (who really did have to share risk). I have been reading business plans for over 25 years in Michigan and Alaska. I served for ten years on the Board and Audit Committee of a \$50-\$70 million/year non-profit, the Environmental Research Institute of Michigan which does remote sensing work primarily for the US government. I am retired and basically living mostly on my income as an investor.

I believe that **the Knik Arm Bridge is at least a billion dollar mistake for the state** and KABATA has not been fully forthcoming about what the true costs of the Bridge will turn out to be. As a result, I paid the full \$4,600 cost to produce the video. If the video helps more citizens and the legislature inquire into the finances of this deal, I will consider it money well-spent.

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