

SR 11 Toll Road and East Otay Mesa Port Of Entry

Preliminary Results

Financial Feasibility Study

December 15, 2006



1

San Ysidro and Otay Mesa Ports of Entry



San Ysidro



Otay Mesa



2

Presentation Outline

- Project Objectives
- Study Area
- Overview and Results of Analytical Models
- Financial Analysis
- Preliminary Conclusions
- Next Steps

Project Objectives

- Main objective:
 - Determine the financial feasibility of SR 11 and the East Otay Mesa Port of Entry (POE) as toll or fee-based facilities
- Sub-objectives:
 - Investigate whether the necessary conditions for a successful toll facility are met
 - Evaluate the facility in light of standard credit rating criteria for toll facilities
 - Provide an assessment of the investor market

Study Area



Overview of Analytical Models

- Border Crossing Demand Model
- POE and Toll Road Diversion Model
- Toll Revenue Model
- Financial Model

Expert Peer Review Panel

- City of Chula Vista
- City of San Diego
- County of San Diego
- Municipality of Tijuana/IMPlan
- Baja California Secretariat of Infrastructure and Urban Development (SIDUE)
- U.S. Customs and Border Protection
- Mexican Customs (Aduanas)
- Consulate of Mexico in SD
- U.S. General Services Administration
- U.S. Federal Highway Administration
- San Diego Dialogue
- San Diego State University
- Autonomous University of Baja California (UABC)
- College of the Northern Border (COLEF)

SR 11 and East Otay Mesa POE – Baseline Assumptions

- Alternative POEs: Otay Mesa and San Ysidro
- POE Capacity
 - Current capacity at existing POEs
 - New POE: 9 passenger vehicle lanes (including 1 SENTRI) and 9 truck lanes (including 1 FAST)
- Process
 - POE to process Passenger Vehicles and Trucks
- Facility
 - SR 11 Capital and Operation & Maintenance (O&M) Costs
 - No Toll Facility on the Mexican Side
- Wait Time
 - EOM provides a 20-minute wait time for normal lanes (truck and PV) and FAST lanes
 - SENTRI provides a 6-minute wait time

Average Toll Rate in 2015

	Normal / Peak	Normal / Off Peak	SENTRI / FAST Peak	SENTRI / FAST Off Peak
PV	\$7.00	\$1.60	\$2.50	\$0.80
Trucks	\$47.30	\$32.00	\$25.80	\$22.90

(Average incorporates weekend / weekday rates)

Project Cost Assumptions

(In Millions of 2006 Dollars)

	Costs
SR 11 Capital Costs	\$246.6
SR 11 Annual O&M Expenses	\$.35
POE Capital Costs	\$272.5
POE Annual O&M Expenses	\$27.2
Total Capital Expenses	\$519.1
Total Annual O&M Expenses	\$27.6

Sources: CALTRANS, CBP, HDR / HLB

Financial Feasibility Scenarios

- **Baseline**
 - Toll revenue applied to SR 11 Capital and Operations & Maintenance (O&M) Costs
- **Scenario 1:**
 - Toll revenue applied to Baseline Scenario *plus* East Otay Mesa POE Capital Costs
- **Scenario 2:**
 - Toll revenue applied to Scenario 1 *plus* East Otay Mesa POE O&M Costs
- **Scenario 3:**
 - Toll revenue applied to Scenario 2 *with* East Otay Mesa POE O&M Costs *after 30 years*

Risk Analysis of Debt Service Coverage

- **Baseline** (SR 11 Capital and O&M Costs)
 - Project would generate revenues necessary to limit debt service coverage risk to a few years (2026-2028)
 - With \$50 million capital grant, the project achieves a high likelihood of success and reasonable likelihood of an investment grade rating
- **Scenario 1**
(SR 11 plus East Otay Mesa POE Capital Costs)
 - \$400 million capital grant to achieve same investment grade rating

Risk Analysis of Debt Coverage

- **Scenario 2:**
(SR 11 plus East Otay Mesa POE Capital and O&M Costs)
 - Insufficient Debt Service Coverage with \$400 million capital grant
- **Scenario 3:**
(SR 11 plus East Otay Mesa POE Capital with O&M Costs after 30 years)
 - If O&M costs covered for 30 years with external funds, with \$400 million capital grant, the project achieves a reasonable credit rating

Preliminary Conclusions

- SR 11 toll road and East Otay Mesa POE potentially a good investment provided sufficient external resources for POE capital and O&M costs
- SR 11 cannot be considered without the East Otay Mesa POE
- With traditional debt finance, minor default risks in early years
- Need grant or financing mechanism with back-loaded debt service / repayments (possibly low-interest TIFIA loan)

Next Steps

- Conduct similar toll evaluation for the Otay II POE in Tijuana and connecting roads
- Assess economic benefit (travel time savings, safety) and social equity
- Explore potential non-toll revenues to make up revenue shortfalls, especially in POE O&M costs
- Pursue funding for SR 11 from the Trade Corridors Improvement Fund (Proposition 1B)
- Explore dedication of right-of-way for SR 11 and POE
- Work with Congressional and State delegation to obtain necessary approvals to toll and/or fee the new border crossing and SR 11

Next Steps

- Complete environmental clearance
- Conduct feasibility study to confirm functionality of the East Otay Mesa POE (e.g. mixed passenger vehicle/truck)
- Obtain a Presidential Permit from the federal government for the East Otay Mesa POE

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17