Joint Toll Operations Ad Hoc Committee

May 09, 2012

Transportation Corridor Agencies

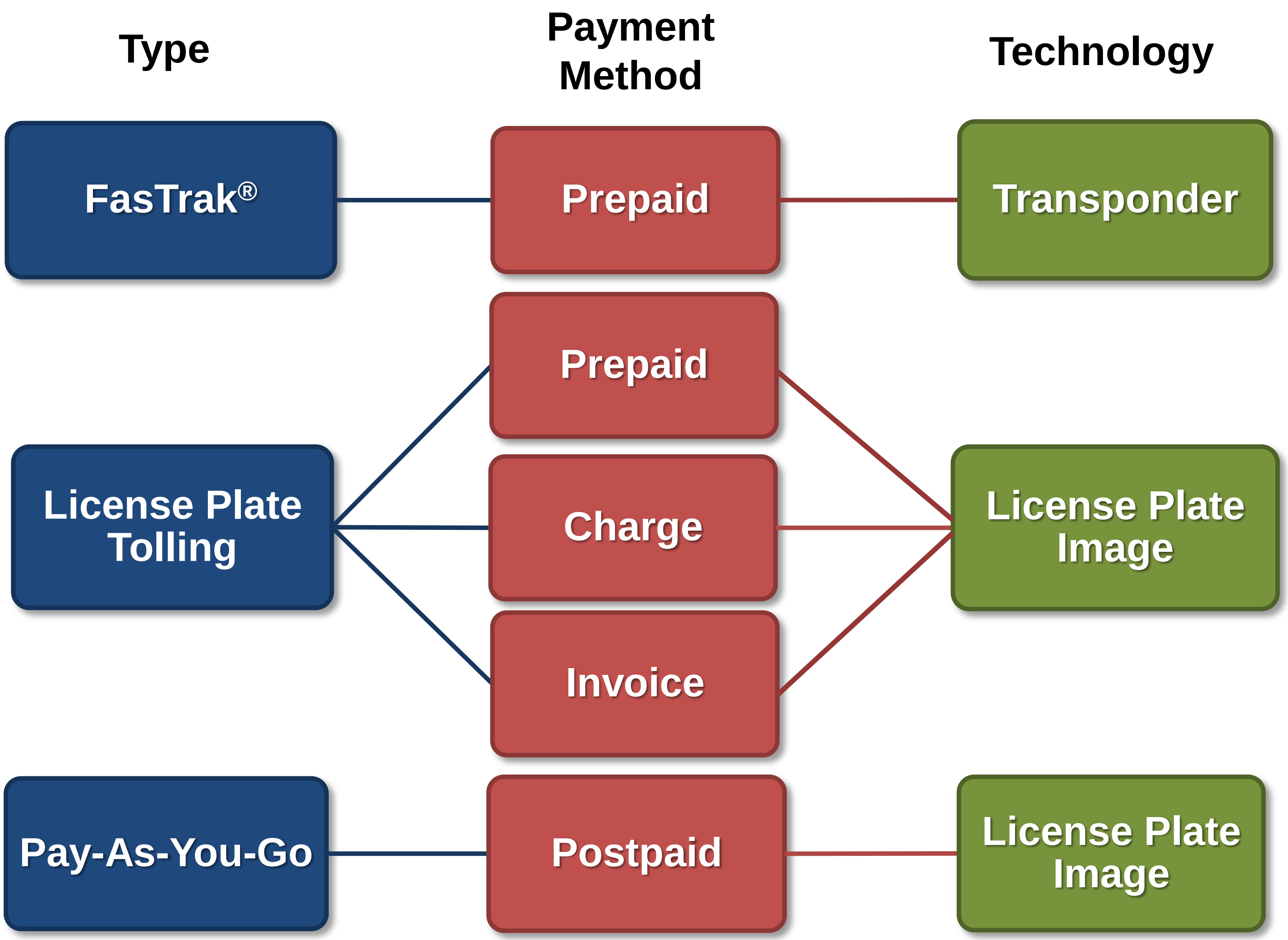
Agenda

- AET Financial Models
- Next Steps

Why AET Makes Sense

- Free flow of traffic; improves safety
- Provides additional options for toll rate adjustments
- Eliminates cash security concerns
- Offers additional payment options
- Lowers operating & maintenance costs
- Fewer lanes to equip and maintain
- Long term investment cost is less than current system
- Construction cost savings in future extension projects
- Expected five-year cash flow benefit including reduction in capital investment from FY13 – FY19: $12.9M ($9.8M F/E, $3.1M SJH)
- Expected savings of $3.2M in annual net revenue; **improving debt repayment ability**

Payment Options



Operating Revenue and Cost

Building the Cost/Revenue Model

- Current system actual revenues and expenditures
- Allocation of current system costs among pay types to determine cost/transaction
- Revenue growth rates and inflation factors based on conservative trends
- Cash customer surveys & marketing research
- Industry trends: AET conversions — research & analysis
- Collaboratively built: Finance & Toll Ops with TTI
- Analysis & review by Agency T&R consultant: Stantec

Model

- **Diversion:**
  - 7.5% of cash payers – used in initial modeling estimates of diversion
  - 1.2% of total traffic on F/E and 1.3% of total traffic on SJH in refined modeling
- **Stantec Analysis: TCA & Industry Trends**
  - Diversions of 0.5% to 1% of total traffic
  - Gross toll revenue decrease of 2 – 6% due to diversions and conversions to FasTrak (at lower toll rate)
  - FasTrak accounts increase of 2 – 4%
- **Breakeven Analysis:**
  - Positive results retained over range of actual outcomes

Traffic Distribution

Distribution of traffic with AET vs. Baseline

Foothill/Eastern

	FasTrak	Cash	LPT	Pursuable Violations	Non-Pursuable Violations	Diversion Rate
Current System*	81.4%	16.0%	0%	1.2%	1.4%	0%
AET	84.1%	0%	11.5%	1.5%	1.7%	1.2%

San Joaquin Hills

	FasTrak	Cash	LPT	Pursuable Violations	Non-Pursuable Violations	Diversion Rate
Current System*	79.1%	17.7%	0%	1.6%	1.6%	0%
AET	82.2%	0%	12.8%	1.9%	1.8%	1.3%

* Current System = Baseline

Expected Budgetary Savings

F/E	Current System			AET				
Fiscal Year	Revenue	Operating Costs	Net Revenue	Revenue	Operating Costs	Net Revenue	Expected Savings	Present Value Savings (in Today's Dollars)
FY14	$121.5	$21.9	$ 99.6	$118.1	$20.8*	$ 97.4	-$2.2	
FY15	123.0	22.9	100.2	123.5	20.9	102.5	2.4	
FY16	128.4	24.0	104.4	128.7	21.9	106.8	2.4	
FY17	134.0	25.1	108.9	134.2	23.0	111.2	2.3	
FY18	139.8	26.3	113.5	139.9	24.1	115.8	2.3	
Total	**$646.7**	**$120.2**	**$526.5**	**$644.5**	**$111.5**	**$533.7**	**$7.2**	
Less Projected Capital Investment			($11.8)			($9.2)	$2.6	
			$514.7			**$524.5**	**$9.8**	**$8.87**

SJH	Current System			AET				
Fiscal Year	Revenue	Operating Costs	Net Revenue	Revenue	Operating Costs	Net Revenue	Expected Savings	
FY14	$101.2	$ 12.3	$88.9	$ 98.9	$11.3*	$ 87.5	-$1.4	
FY15	101.5	12.7	88.8	101.0	11.4	89.6	0.8	
FY16	106.0	13.3	92.7	105.4	11.9	93.5	0.9	
FY17	110.7	13.9	96.7	110.1	12.5	97.6	0.8	
FY18	115.6	14.6	101.0	114.9	13.1	101.8	0.8	
Total	**$535.0**	**$66.9**	**$468.1**	**$530.4**	**$60.6**	**$470.1**	**$1.9**	
Less Projected Capital Investment			($5.8)			($4.7)	$1.1	
			$462.3			**$465.4**	**$3.1**	**$2.81**

* Includes violation processing transition costs of $0.7 F/E, $0.3 SJH

In Millions

Breakeven Analysis/Stress Test

	Foothill/Eastern				San Joaquin Hills			
Variables	% of Cash Transactions		% of Total Transactions		% of Cash Transactions		% of Total Transactions	
	Base	**Breakeven**	**Base**	**Breakeven**	**Base**	**Breakeven**	**Base**	**Breakeven**
Cash to FasTrak	12.5%	35.5%	2.0%	5.7%	12.3%	24.5%	2.2%	4.4%
Diversion	7.5%	14%	1.2%	2.3%	7.5%	10.0%	1.3%	1.8%
Pursuable Violations	4.9%	2.9%	1.5%	1.2%	4.5%	3.8%	1.9%	1.8%

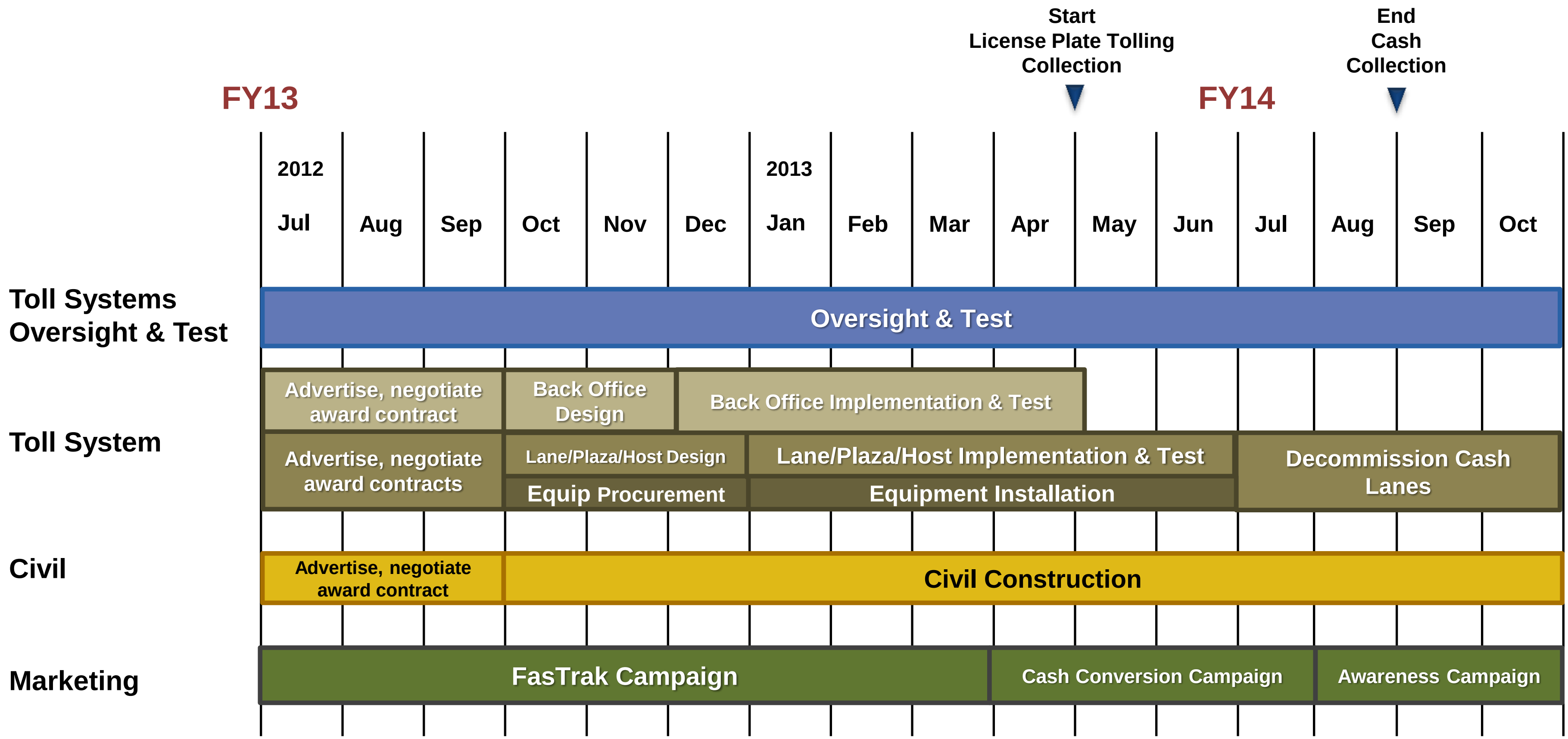
- Base case is a refined consensus model utilizing conservative estimates
- Variables represent assumptions stress tested
- Breakeven is the level that results in no operating cost saving
- Mitigations:
  - Raise violation penalty
  - Reduce costs
  - Pursue violations more vigorously
  - Change toll rate differentials

All Electronic Tolling Investment

Description	F/E Investment	SJH Investment	Combined
Toll Systems	$ 2,919,750	$1,376,720	$ 4,296,470
Civil Engineering	2,871,172	1,425,106	4,296,278
Marketing	874,349	430,651	1,305,000
Project Management	668,439	279,561	948,000
Toll Systems Oversight	448,800	211,200	660,000
Contingency	1,485,534	987,783	2,473,317
Total	$ 9,268,044	$ 4,711,021	$ 13,979,065

- Detailed analysis of toll systems & facilities by TTI & staff
- Recognition of key role for communications & marketing
- Adequate contingency; however, civil works design not completed or approved by Caltrans
- Capital reinvestment savings of $11.7M compared to current system

Phase 4: Implementation Schedule



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Next Steps

- **May 9, 2012**
  - Briefings to Boards
- **June 2012**
  - Consideration of AET in FY13 budget
  - Operations Contracts
    - VESystems
    - Transcore
    - Central Parking System
  - AET Phase 4: Implementation plan and schedule
  - AET marketing strategy and schedule