Preliminary Results

Financial Feasibility Study

December 15, 2006

San Ysidro and Otay Mesa Ports of Entry

San Ysidro

Otay Mesa
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
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

<table>
<thead>
<tr>
<th></th>
<th>Normal / Peak</th>
<th>Normal / Off Peak</th>
<th>SENTRI / FAST Peak</th>
<th>SENTRI / FAST Off Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV</td>
<td>$7.00</td>
<td>$1.60</td>
<td>$2.50</td>
<td>$0.80</td>
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<tr>
<td>Trucks</td>
<td>$47.30</td>
<td>$32.00</td>
<td>$25.80</td>
<td>$22.90</td>
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</tbody>
</table>

(Average incorporates weekend / weekday rates)

Project Cost Assumptions

(In Millions of 2006 Dollars)

<table>
<thead>
<tr>
<th>Costs</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR 11 Capital Costs</td>
<td>$246.6</td>
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<tr>
<td>SR 11 Annual O&amp;M Expenses</td>
<td>$.35</td>
</tr>
<tr>
<td>POE Capital Costs</td>
<td>$272.5</td>
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<tr>
<td>POE Annual O&amp;M Expenses</td>
<td>$27.2</td>
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<tr>
<td>Total Capital Expenses</td>
<td>$519.1</td>
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<tr>
<td>Total Annual O&amp;M Expenses</td>
<td>$27.6</td>
</tr>
</tbody>
</table>

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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