

Testimony on HB 4113
Financial Risks of the
Columbia River Crossing
February 2014

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Overview

1. Traffic diversion
2. Toll rates and forecast accuracy
3. Cost overruns
4. ODOT's broken business model
5. Federal funding risk

Diversion

- Tolling I-5, but not I-205:
- Will overload I-205 as soon as tolls are implemented
- Will result in the new 12-lane CRC being an underused white elephant for decades
- CRC will make the region's transportation system worse, and leave us poorer

The Oregonian

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SATURDAY, JANUARY 11, 2014

CRC to push gridlock east

A new, tolled I-5 bridge will lead to a big jump in traffic on the I-205 span, a report says



ASSOCIATED PRESS/ 2005



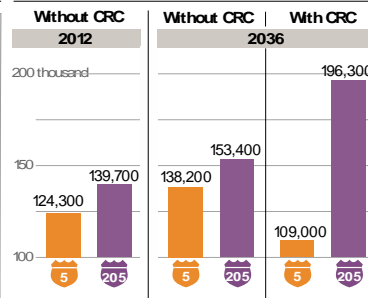
JAMIE FRANCIS/ THE OREGONIAN/ 2012

A report says that if the Interstate 5 bridge (left) is replaced by a tolled Columbia River Crossing, daily traffic on the Interstate 205 bridge (right) is projected at 196,300 —42,900 vehicles more than if the CRC were not built. That level of traffic would push the I-205 span to its capacity.

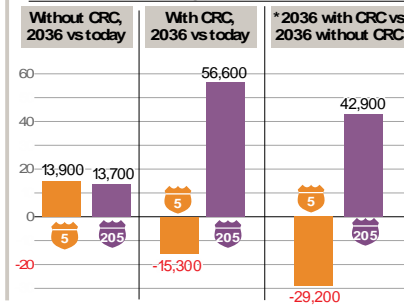
Columbia crossings



Traffic volume



Change in traffic



*Comparing traffic volume in 2036 with and without the CRC (i.e., 29,200 fewer trips on I-5 with CRC than there would be without it)

DAN AGUIAO/ THE OREGONIAN

“The I-205 corridor is a crucial component of the region’s transportation system that can

I-205 Gridlock

- Today, I-205 carries about 139,000 ADT
- IGA predicts that tolling I-5 in 2022 will result in 50,000 more vehicles crossing I-205 than today.
- And in 2030, I-5 tolls will result 55,000 more vehicles crossing I-205 than today
- Meanwhile, I-5 will always carry fewer cars than today.

Massive Diversion to I-205

Average Daily Traffic, I-5 & I-205, Today, 2022, and 2030

	<u>I-5</u>	<u>I-205</u>	<u>Total</u>
TODAY	124	139	263
2022	85	191	276
<i>Change from Today</i>	-39	52	13
2030	98	194	292
<i>Change from Today</i>	-26	55	29

Source: Investment Grade Analysis, January 2014

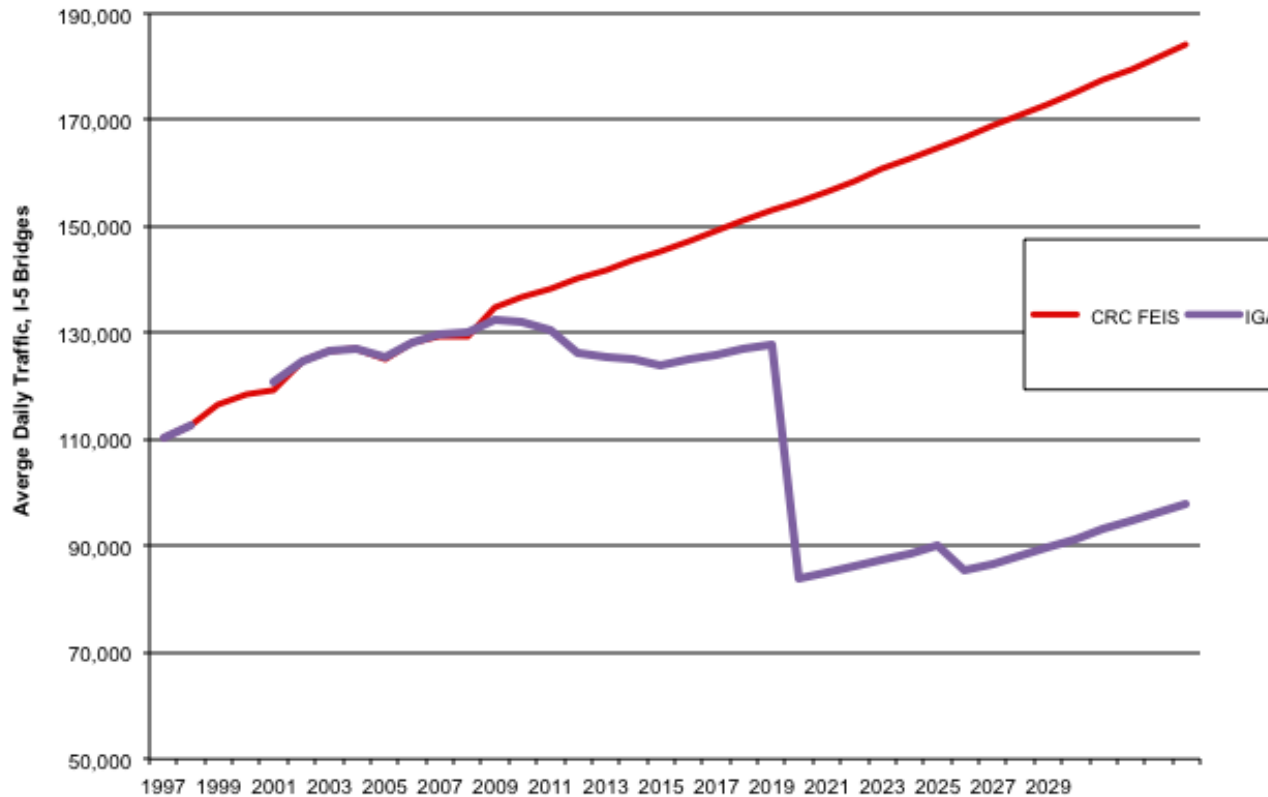
ADT in thousands, 2030 data interpolated using 2022-2036 average growth rate

CRC = White Elephant

- Today, I-5 carries about 124,000 ADT
- CDM Smith predicts that in 2030, I-5 will carry between 109,000 vehicles.
- Two decades from now, after spending \$3 billion, we will have a 12-lane bridge that is used by fewer vehicles than use the current structure

IGA: Tolls Produce Permanently Lower Traffic on I-5

IGA has only half as much traffic on I-5 as FEIS



Source: CRC FEIS, ODOT Traffic Counts, CDM Smith Investment Grade Analysis

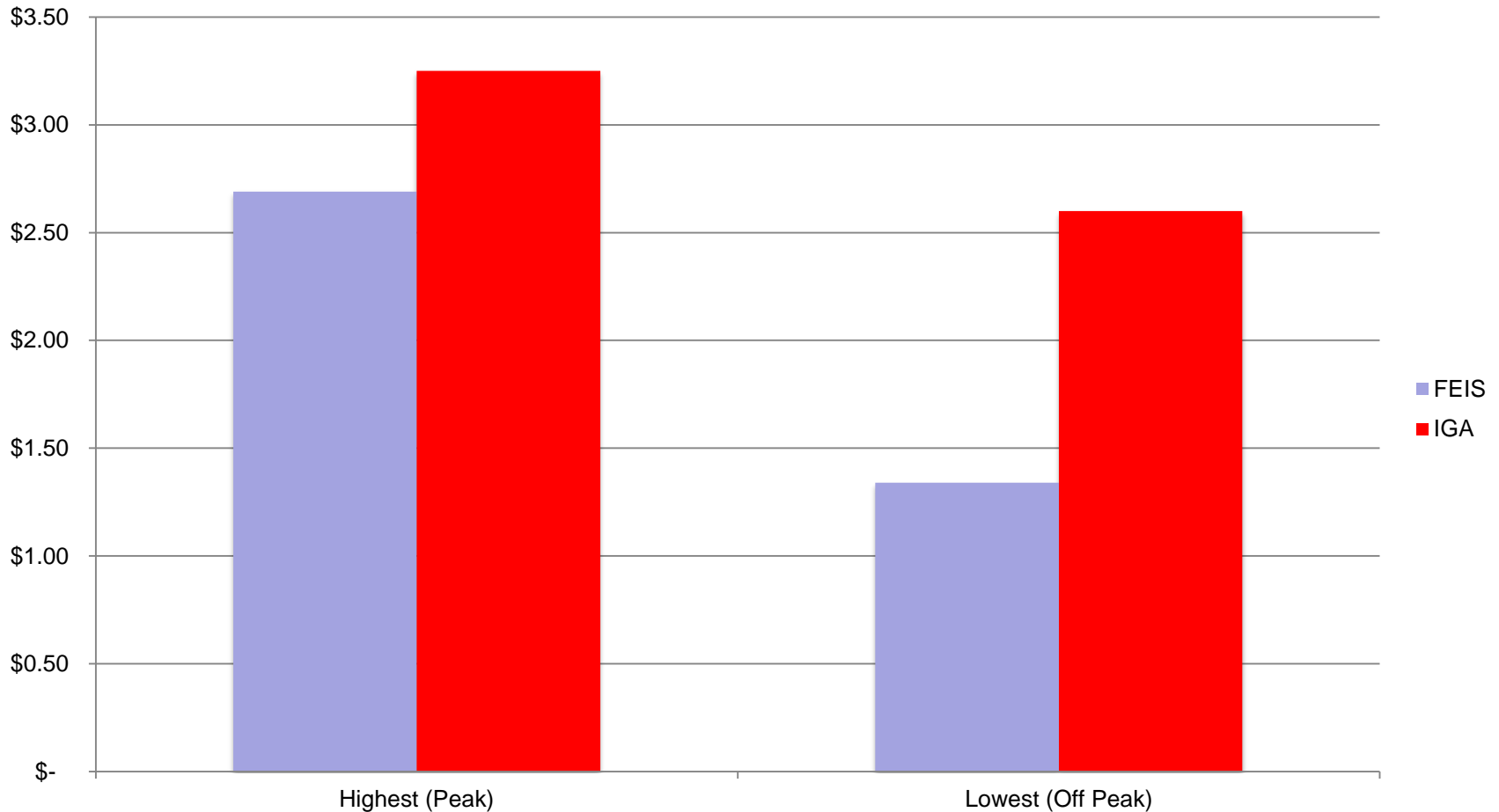
How does it pencil?

- IGA says I-5 will get only half as much traffic as claimed in the FEIS.
- How can the project pay for itself with so much less traffic?

IGA Doubled Minimum Toll

	<i>Final Environmental Impact Statement</i>	Investment Grade Analysis
<u>Transponder</u>		
Highest (Peak)	\$2.69	\$3.25
Lowest (Off Peak)	\$1.34	\$2.60
 <u>No Transponder</u>		
Highest (Peak)	\$4.46	\$5.02
Lowest (Off Peak)	\$3.11	\$4.37

Doubled the off-peak tolls to \$2.60



The off-peak toll in in the IGA is where the peak toll was in the FEIS

Minimum Big Truck Toll Doubled to \$13.00 off-peak

Tolls for Large Trucks

	<i>Final Environmental Impact Statement</i>	Investment Grade Analysis
<u>Transponder</u>		
Highest (Peak)	\$10.76	\$16.25
Lowest (Off Peak)	\$5.36	\$13.00
<u>No Transponder</u>		
Highest (Peak)	\$12.53	\$18.02
Lowest (Off Peak)	\$7.13	\$14.77

Tolls in 2022\$

Accuracy

- Garrett to Legislature: CDM Smith estimates are “significantly accurate” and are as likely to be high as low
- If CDM Smith is right, the FEIS estimates are wildly wrong
- There are good reasons to believe that CDM Smith is overly optimistic in estimating tolled traffic

Toll Forecast Inaccuracy

- CDM Smith and others routinely over-estimates toll paying traffic and total toll revenues
- This problem is endemic to toll and traffic forecasting
- The problem has worsened in recent years

Fitch, October 2013

Analysis of Toll Road Financing

- Demand forecasting is "a key vulnerability," . . .
- "The probability of over-estimation remains high despite decades of experience with forecasting demand on transport projects."
- Called out specific CDM Smith projects

CDM Smith Over-Estimates

- San Diego Expressway (CA)– 62% below projections, Bankrupt
- Orange County Toll Roads (CA) - 25% below projections, restructured
- Pocohontas Parkway (VA) –Seized by lenders
- Austin SH-130 (TX) – According to Fitch headed for default [Peer review]
- InterCounty Connector (MD) 30% below projection
- Knik Arm AK - “Bridge to Nowhere”—Legislative audit found population forecasts overstated

200% cost overruns routine

Project	Initial Estimate	Current Estimate	Increase
Pioneer Mountain-Eddyville Highway 20 Realignment	\$110 million (2003 DEIS)	\$390 million (ODOT 2012)* * project incomplete	+254%
Grand Avenue Viaduct Replacement	\$31.2 million (Portland City Council approval, 2002)	\$97.8 million (ODOT ARRA report, 2010)	+214%
Newberg-Dundee Bypass	\$222 million (2003 DEIS)	\$752 million to \$880 million (2010 FEIS)	+239% to +296%

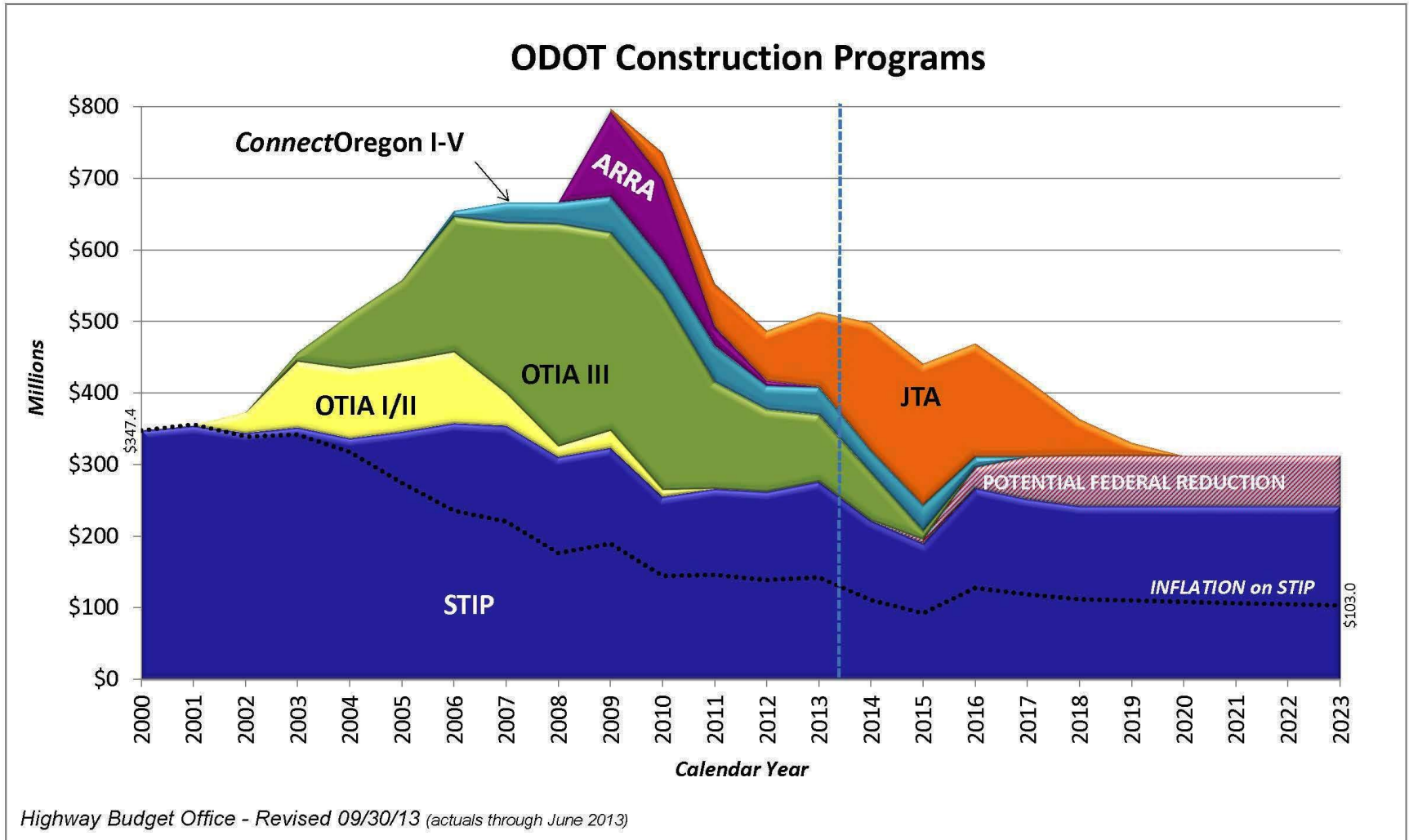
Serious Warning Signs

- ODOT is ill-equipped to manage a multi-billion dollar project
- It is in denial about major project failures (Highway 20, others)
- CRC has already made major mistakes (Open web design, navigation clearance)
- ODOT has shown it can't manage design-build
- It hasn't followed through with its own risk analysis tools (CEVP)
- Independent checks on risk are missing (PMOC)

ODOT's Broken Business Model

- Declining driving
- Declining gas tax revenues
- Over-optimistic revenue forecasts
- Increasing debt service
 - 2002: Less than 2% of revenue for debt service
 - Today: Approaching 30% for debt service

Overspent ODOT



Source: ODOT, http://www.oregon.gov/ODOT/GOVREL/Pages/Seven_Trends.aspx

ODOT Overestimated Revenue \$500 Million Over 5 years



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Transportation revenue forecast keeps falling

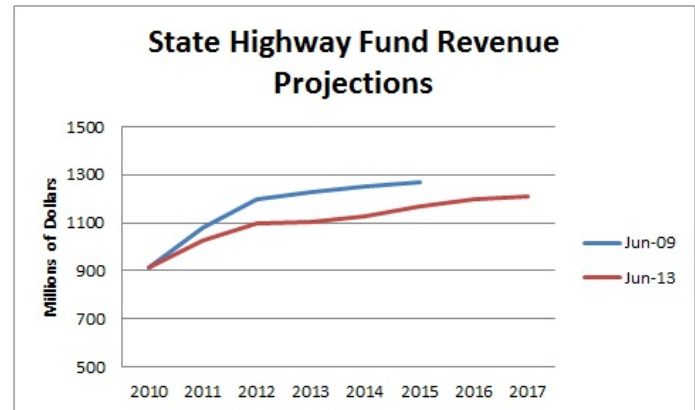
While recent state revenue forecasts show that growth in Oregon's economy is leading to an uptick in tax revenues flowing to the state, the State Highway Fund doesn't seem to be benefiting much from the same forces.

The [June 2013 transportation economic and revenue forecast](#) produced by ODOT finds that even an uptick in economic activity isn't improving the revenue forecast. While State Highway Fund revenues are expected to grow in the future, they will grow slower than previous forecasts, producing less revenue for ODOT and local governments than expected. This report is the latest in a long trend, with virtually every State Highway Fund revenue forecast since the passage of the Jobs and Transportation Act (JTA) in 2009 showing projections of future revenue dropping from the previous forecast.

The June 2013 forecast projects that total revenue from 2012-17 will be down \$127 million, or nearly 2 percent, compared to the June 2012 forecast for the same period. While that is a relatively minor drop, the long-term decline is more dramatic when viewed cumulatively by comparing the June 2009 projection—the first to include the JTA—with the latest projection. The June 2009 revenue forecast projected \$6.94 billion in gross State Highway Fund revenue from 2010 through 2015 for ODOT and local governments. But the June 2013 forecast projects \$510 million less in revenues over that same period—a drop of more than 9 percent.

A couple other sobering nuggets of information gleaned from the recent forecast:

- Fuels tax revenue—the largest component of the State Highway Fund's resources—is expected to drop slightly in 2013 compared to 2012.
- Revenue from the JTA for 2013 is expected to come in 11 percent lower than originally forecast.



Federal Risks

- No earmark for highway funds
- FTA New Starts Funding
 - No guarantee of dollar amount
 - Untested “stealth earmark”
 - Sequester/Budget deal reduces funding
- TIFIA
 - Maybe much less than expected
 - First-come, first-served may exhaust funds

Why Oregon Only?

- Oregon takes all risk of cost-overruns and revenue shortfalls
- Oregon responsible for paying
 - \$71 million sales tax revenue
 - \$85 million to Washington-based river users
 - \$50 million to duplicate Washington's toll collection capability
 - \$190 million for 3 parking garages in Washington

Conclusion

- High I-5 toll produce massive diversion, I-205 gridlock and a CRC White Elephant
- CDM Smith forecast is too optimistic
- Cost overruns are certain, ODOT has no capability to manage
- Federal funding is still uncertain
- ODOT's business model is broken: Not the time to go deeply in debt for a mega-project
- Oregon gets stuck with all of the costs and risk