Dear Governor Kitzhaber, President Courtney and Speaker Kotek:

I am writing today to provide you more complete information and provide a better context for an informed discussion about toll revenue projections for the I-5 replacement bridge project than some recent media accounts of selective data points.

First, let me provide some background on the experts providing us our detailed analysis. CDM Smith is a leader in the field of toll revenue forecasting. The firm was hired through a competitive request for proposal process in 2012 by a team that included the chief financial officer of ODOT and staff from the Oregon State Treasurer’s office. The firm has a strong reputation and track record in developing reliable forecasts for toll facilities and decades of experience with toll bond underwriters and rating agencies. CDM Smith has completed multiple TIFIA financings through the Federal Highway Administration. Since 2009, its portfolio includes a dozen bond issuances totaling more than $8.6 billion. In recent years, its forecasts have exhibited a significant degree of accuracy: six projects have shown actual revenues at least six percent above their estimates; nine projects have come within five percent of their forecasts, and three projects have come in with revenues more than six percent below their estimates.

Most recent toll revenue analysis
It is important to note that the study being discussed (attached) was to determine if there were enough vehicles crossing the Columbia River on I-5 to generate sufficient toll revenue to pay the debt service on the toll-funded portion of CRC financing plan. Even using prudently conservative assumptions, CDM Smith’s findings to date confirm that the project can be financed with toll revenues. (See figures 3 and 4, p. 16, CDM Smith’s September 2, 2013, report.) The scenarios CDM Smith analyzed use reasonable assumptions about economic and job growth, regional population growth and other factors, based on long-term population and economic trends. Scenario B, for example, is designed to provide a lower bound of gross toll revenue, and uses the ECONW Low Forecast of economic activity and no increases in toll rates after the bridge opens in 2022. Even using these prudently conservative assumptions, CDM Smith’s report from September 2 and analysis by additional financial consultants estimates that at current interest rates the project will generate over $1.3 billion total revenue from tolls.

I-205 diversion review
CDM Smith’s work has been focused on estimating revenue from tolling I-5. Their work is NOT designed to estimate diversion to I-205. This work is fundamentally different than the traffic analysis completed for the Final Environmental Impact Statement, and with very different goals in mind. The purpose of the investment grade analysis and modeling is to assess revenue
potential, including prudent assumptions that will not overstate revenue. For the NEPA environmental studies, the project team must make assumptions that will not understate traffic and its impact on the environment. Traffic volumes in supporting the investment grade analysis are solely intended for the purposes of developing appropriate revenue forecasts for project financing purposes. Because of this goal, traffic forecasts in this toll revenue evaluation are lower than those used for the CRC NEPA process and for operational planning purposes.

Project analysis has confirmed since 2008 that I-205 has limited capacity and will reach capacity by 2030 due to normal regional growth regardless of whether the I-5 replacement bridge project is built. Tolling I-5 may move this date forward, but it will not by itself cause I-205 to reach capacity. Modeling assumes route choices are influenced by the cost of trip in terms of time and money and whether or not transit is a viable option for the trip. Consequently, the CRC’s financial analysis of traffic and tolling has always found that a significant immediate reduction in traffic on I-5 would occur due to tolling. The analysis has also found that some trips would shift to I-205, other trips across the river would be foregone, some trips would shift to nonhighway modes (particularly light rail), and the motorists would adjust the time of some trips to avoid peak hour tolls. The demand for river crossings is increasing due to regional growth. I-205 will be overcrowded with or without the Columbia River Crossing; tolling makes this happen sooner but is not the reason that it happens.

Availability of information
The I-5 replacement bridge project is one of the most scrutinized, reviewed, and analyzed projects by legislators, citizens, local elected officials, and federal partners. Our most recent toll report was completed September 2nd and delivered to the Oregon State Treasurer and legislators with other materials on September 12, 2013. For the last two years presentations to legislative committees have included discussions on diversion because diversion is always part of the equation in every toll project across the country. Additionally, the project is the subject of extensive public records requests by the media, opponents to the project and interested citizens. Mr. Cortright, a paid lobbyist for Plaid Pantry, a project opponent, has made 55 separate requests since March 2011. We welcome his continued interest and have attached the docket detailing his requests and our responses.

Finally, funding transportation and infrastructure improvements is a challenge for our state and our nation. The partnership of federal, state and toll funding sources for the I-5 replacement bridge project allows us to address a major infrastructure problem over the Columbia River. ODOT recognizes the importance of rigorous, consistent, timely and transparent review of the data used to determine the feasibility of these financing elements.

Please contact me if we can provide additional information.

Sincerely,

Matthew L. Garrett
Director