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April 1, 2010

Mr. James Earp
Chairperson
California Transportation Commission
1120 N Street, Room 2221 (MS-52)
Sacramento, CA 95814

Dear Mr. Earp:

It is my pleasure to forward for your review and consideration "Analyses of GARVEE Bonding Capacity 2010." This is the tenth annual capacity analysis prepared in compliance with the provisions of SB 928 (Chapter 862, Statutes of 1999), which was sponsored by the State Treasurer's Office to ensure California had the necessary state legislative authority to make use of Grant Anticipation Revenue Vehicles, or GARVEE bonds, a financing tool for the acceleration of high priority transportation projects.

Among other things, the California Transportation Commission is required to prepare, in conjunction with the State Treasurer's Office, an annual analysis of California's bonding capacity for issuing GARVEE bonds, which are capital market borrowings repaid by federal transportation funds deposited in the State Highway Account.

Please let me know how this office may be of further assistance as you continue to use GARVEE bonds as a financing tool.

Sincerely,

A handwritten signature in cursive script that reads "Blake Fowler".

Blake Fowler
Director, Public Finance Division

Enclosure

cc: Governor Arnold Schwarzenegger
Senator Darrell Steinberg, President Pro Tempore
Assembly Member John A Perez, Speaker
Senator Alan Lowenthal, Chair, Senate Transportation and Housing Committee
Assembly Member Bonnie Lowenthal, Chair, Assembly Transportation Committee
Ana J. Matosantos, Director of Finance
Members, California Transportation Commission
Bimla Rhinehart, Executive Director, California Transportation Commission

**Analyses of
GARVEE
Bonding Capacity
2010**

Analyses for the
California Transportation Commission
April 2010

State Treasurer Bill Lockyer



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Executive Summary

These analyses are provided to the California Transportation Commission (“Commission”) to assist in its compliance with the provisions of Government Code Sections 14550 through 14555.9 requiring the Commission to prepare, in conjunction with the State Treasurer’s Office (“STO”), an annual analysis of California’s bonding capacity for issuing Grant Anticipation Revenue Vehicles (“GARVEE”) bonds and notes. GARVEE bonds are capital market borrowings which are repaid from federal transportation funds that are deposited into the State Highway Account. The bonding capacity takes into account the current maximum annual debt service of the Series 2004A Bonds and Series 2008A Bonds.

Legislation was enacted to ensure California had the necessary state legislative authority to make use of this financing tool for accelerating high priority transportation projects. The legislation became effective January 1, 2000, and was further amended by AB 438 (Chapter 113, Statutes of 2001), AB 3026 (Chapter 438, Statutes of 2002), SB 1098 (Chapter 212, Statutes of 2004), and SB 1507 (Chapter 793, Statutes of 2004).

The issuance of additional GARVEE bonds is subject to Government Code Section 14553.4, which states that the Treasurer may not authorize the issuance of additional bonds if the annual debt service on all outstanding GARVEE obligations would exceed 15 percent of the total amount of federal transportation funds deposited into the State Highway Account in the State Transportation Fund for any consecutive 12-month period within the preceding 24 months. Thus, current and future bonding capacity analyses must take place in the context of this “cap.”

There are other factors which also affect bonding capacity, such as maturity structures, interest rates, and policy decisions. Accordingly, these analyses continue the approach of prior analyses by providing “sensitivity analyses” under different scenarios, with varying assumptions for maturity dates and interest rates. This method should continue to assist the Commission in examining and responding to future applications under the context of alternative scenarios.

On March 10, 2004, the State issued \$614,850,000 of State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds (“GARVEE Bonds”) Series 2004A (“Series 2004A Bonds”). The Series 2004A Bonds are structured with serial maturities from 2005 through 2015. As of April 1, 2010, there is \$316,625,000 principal amount of Series 2004A Bonds outstanding. On October 16, 2008, the State issued a second series of GARVEE Bonds, the Series 2008A Bonds, in the amount of \$97,635,000. The Series 2008A Bonds are structured with serial maturities from 2009 through 2020 and have an outstanding principal balance of \$88,685,000 as of April 1, 2010. **The maximum annual debt service of the outstanding Series 2004A and Series 2008A Bonds is \$84,296,000 in Fiscal Year 2013.**

The Series 2004A and Series 2008A Bonds carry underlying ratings of ‘Aa3’ from Moody’s Investors Service, ‘AA-’ from Standard & Poor’s, and ‘AA-’ from Fitch Ratings, which are the ratings for the bonds without consideration of insurance. The underlying ratings of GARVEE Bonds have not been changed since the initial issuance in 2004. The outstanding Series 2004A Bonds are insured by MBIA and FGIC. MBIA is currently rated ‘BB+’ by Standard & Poor’s and ‘B3’ by Moody’s Investors Service. Fitch Ratings withdrew its MBIA ratings on June 26, 2008. FGIC is currently rated ‘A’ by Standard & Poor’s. This rating is based on business that was ceded to MBIA Insurance Corp. of Illinois (now National Public Finance Guarantee Corp.) from FGIC in October 2008, which includes the Series

2004A Bonds that are insured by FGIC. Fitch Ratings withdrew its FGIC ratings on November 24, 2008 and Moody's Investors Service withdrew its FGIC ratings on March 24, 2009.

The analyses for 2010 show a bonding capacity ranging from a low of approximately \$2.01 billion to a high of approximately \$3.73 billion under varying market conditions and amortization periods. The \$2.01 billion bonding capacity level results from a 6-year amortization with an assumed interest rate of 2.74 percent under a Market Sensitivity Case scenario, and the \$3.73 billion bonding capacity level results from a 12-year amortization with an assumed interest rate of 2.68 percent under a Base Case scenario.

The 2010 analyses show that the bonding capacity has increased by 1.90 percent for a 6-year final maturity amortization period when compared to the same analyses of 2009, and has increased by 2.24 to 2.30 percent for a 12-year final maturity amortization period when compared to the same analyses of 2009. The primary factor contributing to the increases in bonding capacity from 2009 is that the municipal market interest rates used in this year's analyses are at historically low levels. Rates have decreased 56 basis points from the prior year for the six-year amortization analyses, and 38 basis points from the prior year for the 12-year amortization analyses. This is partially offset by the fact that the annual federal deposits in the State Highway Account were \$326.6 million lower than those for the prior year's analyses.

These analyses demonstrate that a wide range of circumstances, including policy, revenues, and market factors, can affect the existing capacity for future State GARVEE financings. Therefore, the analyses should be used as a tool for understanding the implications of alternative project applications and the related potential GARVEE bond structures that the Commission may be asked to consider over the coming year.

I. Purpose of Analyses

The following analyses are provided to assist the Commission in meeting the requirements of SB 928 (Chapter 862), sponsored by the STO to ensure that California has the necessary state legislative authority to make use of this financing tool for accelerating high priority transportation projects. The analyses relate specifically to those requirements found in Section 14553(b) of the Government Code, which states:

“Notwithstanding Section 7550.5 of the Government Code, on or before April 1 of each year, the commission, in conjunction with the Treasurer’s office, shall prepare an annual analysis of the bonding capacity of federal transportation funds deposited in the State Highway Account in the State Transportation Fund.”

The analyses have been performed consistent with the GARVEE bonds bonding capacity guidelines provided in Government Code Section 14553.4, which states:

“The Treasurer may not authorize the issuance of notes if the annual repayment obligations of all outstanding notes in any fiscal year would exceed 15 percent of the total amount of federal transportation funds deposited in the State Highway Account in the State Transportation Fund for any consecutive 12-month period within the preceding 24 months.”

The following analyses are intended to measure the capacity of the State Highway Account to support future issuance of GARVEE bonds, given:

1. the historical record of federal deposits to the State Highway Account (we examine deposits of pledged funds only);
2. requirements preceding any issuance of additional bonds under the Master Trust Indenture; and
3. the “statutory cap” on total outstanding GARVEE bonds.

II. The 2004 and 2008 GARVEE Financings

The Series 2004A Bonds are secured by a Master Trust Indenture dated February 1, 2004, as amended and supplemented by a First Supplemental Indenture dated February 1, 2004, by and among the Treasurer, the Commission and the California Department of Transportation (“Department”). The Series 2008A Bonds are secured by the Master Trust Indenture dated February 1, 2004, as amended and supplemented by a Second Supplemental Indenture dated October 1, 2008, by and among the Treasurer, the Commission and the Department. The Series 2004A and Series 2008A Bonds and all future bonds and obligations issued under the Master Trust Indenture are secured solely by the Trust Estate, as defined in the Master Trust Indenture, which consists solely of federal transportation funds. The primary source of federal transportation funds is the amount appropriated to the State by the federal government pursuant to Federal Aid Authorization, pursuant to Title 23 of the U.S. Code authorizing federal funding of state transportation projects.

The Department entered into a Memorandum of Agreement with the Federal Highway Administration (“FHWA”) in anticipation of reimbursement by FHWA for debt service and other bond-related costs associated with the federal-aid projects approved by the FHWA.

The Master Trust Indenture provides for the issuance of additional bonds on parity with the Series 2004A Bonds. Any additional parity bonds or other bonds issued on a basis subordinate to the Series 2004A Bonds must comply with the “statutory cap.”

The \$657,713,000 proceeds of the Series 2004A Bonds were generated to pay a portion of the costs of acquisition of right-of-way and/or construction costs for eight federal-aid State Transportation Improvement Program (“STIP”) projects approved by the Commission for funding. As of December 31, 2009, approximately 97 percent of these bond proceeds were expended for project delivery.

The \$98,000,000 proceeds of the Series 2008A Bonds were generated to pay for the construction of two federal-aid State Highway Operation and Protection Program (“SHOPP”) projects approved by the Commission for funding: Placer County – Interstate 80 Pavement Rehabilitation and Nevada and Sierra Counties – Interstate 80 Pavement Rehabilitation. The Placer County Project is expected to be completed in the Fall of 2010, and the Nevada and Sierra Counties Project is expected to be completed in the Fall of 2011. As of December 31, 2009, approximately 70 percent of these bond proceeds were expended for project delivery.

Combined, approximately 93 percent of the proceeds of the Series 2004 A Bonds and the Series 2008A Bonds were expended as of December 31, 2009. The Commission and the Department continue to monitor each project’s progress to ensure the expedient use of bond proceeds.

III. Need for Sensitivity Analyses

There are multiple factors that will influence the State’s future capacity to issue GARVEE bonds. These factors include the final maturity, interest rates and the available revenues for the additional bonds test. For this reason, no single bonding capacity analysis is sufficient for purposes of guiding the Commission’s evaluation of the potential for future use of GARVEE bonds. In order to facilitate an informed consideration of future applications with structures and terms not yet known to the Commission, we have performed a series of “sensitivity analyses” under alternative scenarios. The factors that have been varied in these different analyses are identified in the following table.

| Primary Factors Affecting Bonding Capacity Sensitivity Analyses |
|--|
| Final Maturity |
| Assumed Interest Rates |

IV. Information Sources

Pledged Revenues:

In performing these bonding capacity analyses, the STO is using data obtained from the Department regarding deposits into the State Highway Account in the State Transportation Fund from federal transportation funds. The amounts provided by the Department represent federal funds that can be legally pledged under the Master Trust Indenture for payment of the Bonds. The federal transportation funds that are legally available for payment of debt service include those derived from Federal Aid Authorization under Title 23, including apportioned funds (i.e., National Highway System, bridges and the federal surface transportation programs, and amounts available under minimum guarantees) with corresponding Obligation Authority (“OA”).

Starting with the 2009 bonding capacity report, to be consistent with Section 14553.4 of the Government Code, the total annual federal aid receipts, without exceptions, will be used to calculate the annual GARVEE bonding capacity. This information was provided on a monthly basis for the period of January 2008 through December 2009. See **Attachments A-1 and A-2** for the monthly deposits data and related calculations. The additional bonds test is based on the highest consecutive 12 months of pledged revenue deposits during the prior 24-month period. These historic annual deposits are a known quantity at any given point in time, but are clearly subject to change over time, and must be re-examined at the time of each potential GARVEE bond issuance.

Final Maturities:

The analyses in the report assume additional GARVEE bonds issued in 2010 with final maturities in 2016 and 2022.

Interest Rate Assumptions:

Estimates of potential interest costs under various scenarios were developed by the STO based on the ‘AA’ index published by Municipal Market Data (“MMD”), a widely used industry benchmark. The interest rate assumptions used for the analyses are based on the weighted average coupon, using a level debt solution for each final maturity (or amortization period), which reflects the structure of the Series 2004A and Series 2008A Bonds.

V. Summary of Alternative Assumptions

For the 2010 bonding capacity analyses, we used the MMD ‘AA’ interest rate scale, which generally corresponds to the underlying ratings of the Series 2004A and Series 2008A Bonds. The two alternative scenarios for market conditions used in these analyses are as follows:

- 1. Base Case:** Based on the March 1, 2010 MMD ‘AA’ interest rate scale.
- 2. Market Sensitivity Case:** Base Case plus 100 basis points.

Many observers believe that over time interest rates could increase from the current levels. For this reason, and based on the expected short-term maturity structure of the State’s current and future

GARVEE obligations, a 100 basis point increase in interest rates is used for the market sensitivity analyses.

Two alternatives for the final maturity of the bonds were analyzed for each case. The table below summarizes the range of assumptions for the sensitivity analyses. The different scenarios for each factor combine for a total of four different analyses.

| Factors | Range of Assumptions |
|------------------------|--|
| Final Maturity | Two scenarios: at 6 and 12 years from date of issuance |
| Assumed Interest Rates | Two scenarios: one at ‘AA’ MMD market rates on March 1, 2010 and one at 100 basis points above the March 1, 2010 ‘AA’ MMD market rates |

See **Attachment B** for the detailed assumptions used in each sensitivity analysis.

It should also be noted that the current analyses, by necessity, require significant simplification as compared to the myriad of structuring nuances that would be involved in actual bond sales. As a result, certain ambiguities or alternative interpretations could lead to somewhat differing results in practice. One example of a simplification, common to all scenarios, is the assumption that all GARVEE bonds within the capacity of a given scenario would be issued in a single year and not staggered over multiple years, as typically would be expected in a bonding program of significant magnitude.

If, instead, such bonds were staggered and this financing structure was assumed to have a fixed “end date” represented by the assumed final maturity used in each scenario, each resulting measure of maximum bonding capacity would have to be adjusted downward. This would be necessary because the GARVEE bonds issued in subsequent years would have a shorter period during which to amortize principal before the fixed end date. This would increase the annual debt service necessary for a given par amount of bonds, causing a reduction in total bonding capacity, assuming a fixed amount of annual revenues for each scenario.

Alternatively, this simplification would not have this constraint on capacity if future financings were assumed to be structured on a “rolling maturity” basis; that is, with each GARVEE bond issued in subsequent years within each scenario having exactly the same underlying terms, such as total years to maturity and interest rate, regardless of the timing of any future bond issuance. This latter simplification would also assume a fixed amount of annual revenues for each scenario.

This discussion is offered as an example, which is by no means exhaustive, of the implications of the necessary simplifications involved in any analysis of bonding capacity given current uncertainty about the actual conditions that will exist at the time of any future issuance of GARVEE bonds or obligations. Therefore, care should be exercised in using these analyses to avoid erroneous interpretations or conclusions.

VI. Summary of Results

Due to historically low market interest rates, the current analyses resulted in a higher bonding capacity than last year's results. . As of March 1, 2010, the weighted average interest rate for 'AA' rated bonds with a 6-year final maturity was 1.74 percent and with a 12-year final maturity was 2.68 percent. These interest rates represent a decrease of approximately 0.56 and 0.38 percent, respectively, over last year's levels.

The analyses show that a bond issuance with a 6-year maturity corresponds to a bonding capacity ranging from approximately \$2.01 billion (Market Sensitivity Case) to approximately \$2.08 billion (Base Case). These levels represent an increase of approximately \$37 million and \$39 million, respectively, over 2009, or an increase of approximately 1.9 percent for a 6-year maturity over last year's levels.

The Commission policy established 12 years as the maximum maturity for GARVEE bonds. If future bond issues are structured with a 12-year amortization period consistent with the current Commission policy and at current interest rate levels, the remaining capacity for issuance of GARVEE bonds would be from approximately \$3.52 billion (Market Sensitivity Case) to approximately \$3.73 billion (Base Case). These levels represent an increase of approximately \$76.9 million and \$83.9 million, respectively, over 2009, or an increase of approximately 2.24 to 2.30 percent for a 12-year maturity over last year's levels.

Under the current analyses, a longer amortization period would increase the additional bonding capacity. If the Commission policy changes to allow a longer maximum maturity, the bonding capacity would change accordingly.

The following table summarizes key results of our analyses. Detailed worksheets supporting the results can be found in **Attachments C, D-1, and D-2**.

| Summary of Results for GARVEE Bonding Capacity Sensitivity Analyses | | |
|--|---|--|
| Final Maturity Amortization Period | Base Case March 1, 2010 'AA' MMD Scale | Market Sensitivity Case Base Case plus 100 Basis Points |
| 6 years | \$2.08 billion | \$2.01 billion |
| 12 years | \$3.73 billion | \$3.52 billion |

VII. California Transportation Commission Policy

The Commission adopted a GARVEE policy in December 2003. This policy extends through the next Federal Transportation Reauthorization Act. The current transportation reauthorization act has been extended through the end of the 2010 calendar year.

The policy, contained in Commission Resolution No. G-03-21, is as follows:

- Debt Limit. The Commission limits annual GARVEE debt service to 15 percent of qualifying federal revenues. This limit will be calculated on the basis described in Section 14553.4 of the Government Code (i.e., 15 percent of the total amount of federal transportation funds deposited in the State Highway Account for any consecutive 12-month period within the preceding 24 months). In 2004, SB 1507 amended the statutory cap from a 30 percent limit to a 15 percent limit, which aligned it with the Commission's policy.
- Term. Each bond is structured for debt service payments over a term of no more than 12 years.
- Project Selection. The Commission selects projects for accelerated construction through the use of GARVEE bonding. The selection will be made through the programming process for the STIP and the SHOPP. The Commission will select projects that are major improvements to corridors and gateways for interregional travel and goods movement. Major improvements include projects that increase capacity, reduce travel time, or provide long-life rehabilitation of key bridges or roadways.

VIII. Recent Events

California voters in November 2006 approved Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Proposition 1B provides almost \$20 billion in General Obligation bond funds for highway and road improvement, transit, goods movement and air quality, and safety and security projects. As of April 1, 2010, approximately \$7 billion of bonds have been issued under Proposition 1B. Although the bond funds represent a significant infusion of investments to improve the state's transportation infrastructure, it is not nearly enough to make up for decades of chronic underinvestment. The Governor's Strategic Growth Plan, therefore, includes GARVEE bonds as a necessary funding component for transportation.

During its meeting on February 24-25, 2010, the Commission approved the 2010 SHOPP, which included 13 projects for GARVEE financing from Fiscal Year 2010-11 to Fiscal Year 2013-14. GARVEE bond financing is utilized in the 2010 SHOPP to finance large rehabilitation and reconstruction projects that would otherwise not be afforded by the available State Highway Account funding. The total GARVEE financing for capital outlay for these projects is estimated at \$1.6 billion. It is anticipated that the next GARVEE bond issuance will occur in Fiscal Year 2010-11.

IX. Conclusion

As the above analyses show, the ultimate capacity existing for the State's future GARVEE financings will depend on a wide range of circumstances over time, including market conditions, maturity structures, revenues, and other factors that may be considered by the Commission.

We are hopeful that these analyses will be useful in considering the structuring options that are available for GARVEE financings, in addition to meeting the immediate goal of assisting the Commission in preparing its annual report.

ATTACHMENT A-1

**FEDERAL DEPOSITS INTO THE
STATE HIGHWAY ACCOUNT**

**Cumulative 12-Month
Federal Deposits into the State Highway Account
Over 24-Month Period, ending December 31, 2009**

| Period Covered | 12-Month Total Revenues Deposited | |
|-----------------------|--|-------------------------------|
| Jan 08 - Dec 08 | \$3,012,966,827.87 | Highest 12-Month Total |
| Feb 08 - Jan 09 | \$2,938,329,119.07 | |
| Mar 08 - Feb 09 | \$2,880,894,970.58 | |
| Apr 08 - Mar 09 | \$2,979,166,957.11 | |
| May 08 - Apr 09 | \$2,981,431,623.86 | |
| Jun 08 - May 09 | \$2,872,977,300.76 | |
| Jul 08 - Jun 09 | \$2,897,848,205.46 | |
| Aug 08 - Jul 09 | \$2,805,804,379.06 | |
| Sep 08 - Aug 09 | \$2,782,221,886.93 | |
| Oct 08 - Sep 09 | \$2,623,903,704.97 | |
| Nov 08 - Oct 09 | \$2,595,553,375.89 | Lowest 12-Month Total |
| Dec 08 - Nov 09 | \$2,595,998,256.60 | |
| Jan 09 - Dec 09 | \$2,686,376,349.22 | |
| | | |
| | \$2,819,497,919.80 | Average 12-Month Total |

Source: California Department of Transportation

ATTACHMENT A - 2

**FEDERAL DEPOSITS INTO THE
STATE HIGHWAY ACCOUNT**

| Monthly Deposits of Legally Pledged Federal Transportation Fund | | | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2005 | 2006 | 2007 | 2008* | 2009* |
| Month | Deposit Amount |
| January | \$206,845,822.58 | \$227,332,219.77 | \$200,261,825.74 | \$322,705,809.76 | \$248,068,100.96 |
| February | \$52,850,878.15 | \$112,505,684.06 | \$199,286,324.37 | \$142,937,130.88 | \$85,502,982.39 |
| March | \$121,461,939.24 | \$155,756,207.79 | \$105,180,197.20 | \$170,752,498.63 | \$269,024,485.16 |
| April | \$111,714,693.00 | \$293,150,101.57 | \$203,669,578.41 | \$157,305,518.27 | \$159,570,185.02 |
| May | \$354,577,855.19 | \$174,932,937.17 | \$156,344,503.96 | \$279,337,838.81 | \$170,883,515.71 |
| June | \$213,952,867.29 | \$112,945,474.15 | \$206,946,858.95 | \$272,181,124.08 | \$297,052,028.78 |
| July | \$137,623,097.61 | \$117,826,674.04 | \$220,097,821.96 | \$419,494,465.09 | \$327,450,638.69 |
| August | \$135,415,577.80 | \$286,019,750.03 | \$238,597,568.66 | \$290,619,769.21 | \$267,037,277.08 |
| September | \$190,400,208.64 | \$438,184,702.89 | \$303,926,280.03 | \$258,453,134.06 | \$100,134,952.10 |
| October | \$163,912,575.75 | \$177,572,843.54 | \$177,987,606.52 | \$356,521,583.60 | \$328,171,254.52 |
| November | \$155,622,666.39 | \$137,185,709.06 | \$177,621,960.90 | \$114,862,825.70 | \$115,307,706.41 |
| December | \$109,834,754.54 | \$110,691,211.70 | \$155,906,636.34 | \$227,795,129.78 | \$318,173,222.40 |
| TOTAL | \$1,954,212,936.20 | \$2,344,103,515.79 | \$2,345,827,163.04 | \$3,012,966,827.87 | \$2,686,376,349.22 |
| Monthly Average | \$162,851,078.02 | \$195,341,959.65 | \$195,485,596.92 | \$251,080,568.99 | \$223,864,695.77 |

Source: California Department of Transportation.
Beginning in 2008, the Deposit Amount reflects the total annual federal aid receipts without exception. In prior years, certain categories of Obligation Authority were excluded from the total receipts.

ATTACHMENT B

**DETAILED ASSUMPTIONS
FOR SENSITIVITY ANALYSES**

| Summary of Assumptions for GARVEE Bonding Capacity Sensitivity Analyses | | | |
|---|-----------------|--------------------|---|
| Base Case – Current Market Conditions | | | |
| | Factors | Assumptions | Comments |
| | Final Maturity | 6 and 12 years | Analyses run at each final maturity listed at left. |
| | Interest Rates | 1.74% and 2.68% | Rates indicated relate to each respective final maturity above; listed rates represent the weighted average coupon for a bond issue sizing with level annual debt service. |
| | Annual Revenues | \$2,686,376,349.22 | The Treasurer may not authorize the issuance of the bonds if the annual debt service on all outstanding GARVEE obligations would exceed 15 percent of the State’s historical annual deposits in the State Highway Account from federal funding. |

| Market Sensitivity Case – Alternative Market Conditions | | | |
|---|-----------------|--------------------|---|
| | Factors | Assumptions | Comments |
| | Final Maturity | 6 and 12 years | Analyses run at each final maturity listed at left. |
| | Interest Rates | 2.74% and 3.68% | Rates indicated relate to each respective final maturity above; listed rates represent the weighted average coupon for a bond issue sizing with level annual debt service. |
| | Annual Revenues | \$2,686,376,349.22 | The Treasurer may not authorize the issuance of the bonds if the annual debt service on all outstanding GARVEE obligations would exceed 15 percent of the State’s historical annual deposits in the State Highway Account from federal funding. |

ATTACHMENT C

DETAILED WORKSHEET FOR SENSITIVITY ANALYSES

OVERVIEW OF GARVEE BONDING CAPACITY ANALYSES

The bond test requires that the annual payment obligations of all outstanding notes in any fiscal year do not exceed 15 percent of the total amount of Federal Transportation Funds deposited into the State Highway Account for the highest consecutive 12-month period within the preceding 24 months. The maximum Annual Debt Service on the outstanding Bonds has been subtracted from the highest 12 consecutive months of deposits during the preceding 24 months in order to calculate the remaining Additional Debt Capacity.

| | (Dollars in Thousands) |
|--|------------------------|
| Base Case | |
| Maximum Par Amount of Bonding Capacity | \$2,077,817 |
| Interest rate | 1.74% |
| Maximum Assumed Annual Debt Service * | -\$367,649 |
| Term of Bond Issue | 6 |
| Market Sensitivity | |
| Maximum Par Amount of Bonding Capacity | \$2,009,153 |
| Interest rate | 2.74% |
| Maximum Assumed Annual Debt Service * | -\$367,649 |
| Term of Bond Issue | 6 |
| Base Case | |
| Maximum Par Amount of Bonding Capacity | \$3,731,084 |
| Interest rate | 2.68% |
| Maximum Assumed Annual Debt Service * | -\$367,649 |
| Term of Bond Issue | 12 |
| Market Sensitivity | |
| Maximum Par Amount of Bonding Capacity | \$3,515,925 |
| Interest rate | 3.68% |
| Maximum Assumed Annual Debt Service * | -\$367,649 |
| Term of Bond Issue | 12 |

*15% of legally-pledged Federal Transportation Funds deposited into the State Highway Account less maximum annual debt service for the Series 2004A Bonds and Series 2008A Bonds.

(white / non-shaded)

= Base Case Scenarios based on March 1, 2010 'AA' MMD Scale

(yellow / shaded)

= Market Sensitivity Case Scenarios based on March 1, 2010 'AA' MMD Scale Plus 100 Basis Points

ATTACHMENT D-1

**DETAILED SUMMARY TABLES
FOR SENSITIVITY ANALYSES**

GARVEE BONDING CAPACITY

Base Case

| | |
|--|-------------|
| Highest 12-Month Revenue (\$ in 000's) | \$3,012,967 |
| Debt Service Test (15% of Revenue) | \$451,945 |
| Less: Existing Maximum Annual Series 2004A & 2008A D/S | -\$84,296 |
| Remaining Maximum Annual Debt Service Capacity | \$367,649 |

(Dollars in Thousands)

| | 6 Years | 12 Years |
|--------------------------------------|--------------------|--------------------|
| Assumed Date of Issuance | 2010 | 2010 |
| Assumed Final Maturity | 2016 | 2022 |
| Assumed Interest Rate ⁽¹⁾ | 1.74% | 2.68% |
| Par Capacity | \$2,077,817 | \$3,731,084 |
| Annual Debt Service Required | \$367,649 | \$367,649 |

(1) The assumed interest rates are based on the March 1, 2010 'AA' MMD bond scale. The rates used are the weighted average coupon for a level debt service bond sizing based upon the final maturity in each scenario.

ATTACHMENT D-2

**DETAILED SUMMARY TABLES
FOR SENSITIVITY ANALYSES**

GARVEE BONDING CAPACITY

Market Sensitivity Case

| | |
|--|-------------|
| Highest 12-Month Revenue (\$ in 000's) | \$3,012,967 |
| Debt Service Test (15% of Revenue) | \$451,945 |
| Less: Existing Maximum Annual Series 2004A & 2008A D/S | -\$84,296 |
| Remaining Maximum Annual Debt Service Capacity | \$367,649 |

(Dollars in Thousands)

| | 6 Years | 12 Years |
|--------------------------------------|--------------------|--------------------|
| Assumed Year of Issuance | 2010 | 2010 |
| Assumed Final Maturity | 2016 | 2022 |
| Assumed Interest Rate ⁽¹⁾ | 2.74% | 3.68% |
| Par Capacity | \$2,009,153 | \$3,515,925 |
| Annual Debt Service Required | \$367,649 | \$367,649 |

(1) The assumed interest rates are based on the March 1, 2010 'AA' MMD bond scale (increased by 100 basis points (1%) for market fluctuations). The rates used are the weighted average coupon for a level debt service bond sizing based upon the final maturity in each scenario.