



Finance/Bonding

WHAT IS BONDING?

- A form of long-term borrowing used by state and local governments
- Similar to buying a house with a mortgage
- Often use to fund toll projects, bonds are paid off with revenue from the tolls

BONDING TERMINOLOGY

- **Full Faith and Credit Bonds** – backed by county revenues and reserves
- **Revenue Bonds** – back by toll revenue
- **Principal Amount** – amount borrowed

- **Capitalized Interest Fund** – costs incurred before tolling starts that are included in the amount borrowed
- **Reserve Fund** – fund required for revenue bond that can be used to pay bonds if revenue is interrupted
- **Total Interest** – amount of interest paid over the entire term of the bond
- **Annual Debt Service** – the annual payment on the bond that includes both principal and interest

BONDING ALTERNATIVES

- 12 bonding alternatives considered
- Assumed an interest rate 2% above current rates to create a financing cost contingency

Bonding Alternatives with 25-Year Term

Type of Bonding	Length of Bonding (years)	Principal Amount	Interest Rate	Capitalized Interest Fund	Reserve Fund	Total Interest	Average Annual Debt Service
Full Faith and Credit	25	\$52.70 million	5.68%	\$0	\$0	\$54.05 million	\$4.28 million
Full Faith and Credit	25	\$52.70 million	5.68%	\$6.47 million	\$0	\$60.73 million	\$4.81 million
Full Faith and Credit	25	\$52.70 million	5.47%	\$10.05 million	\$0	\$62.89 million	\$5.04 million
Revenue Bond	25	\$52.70 million	5.47%	\$11.43 million	\$7.15 million	\$71.50 million	\$5.73 million