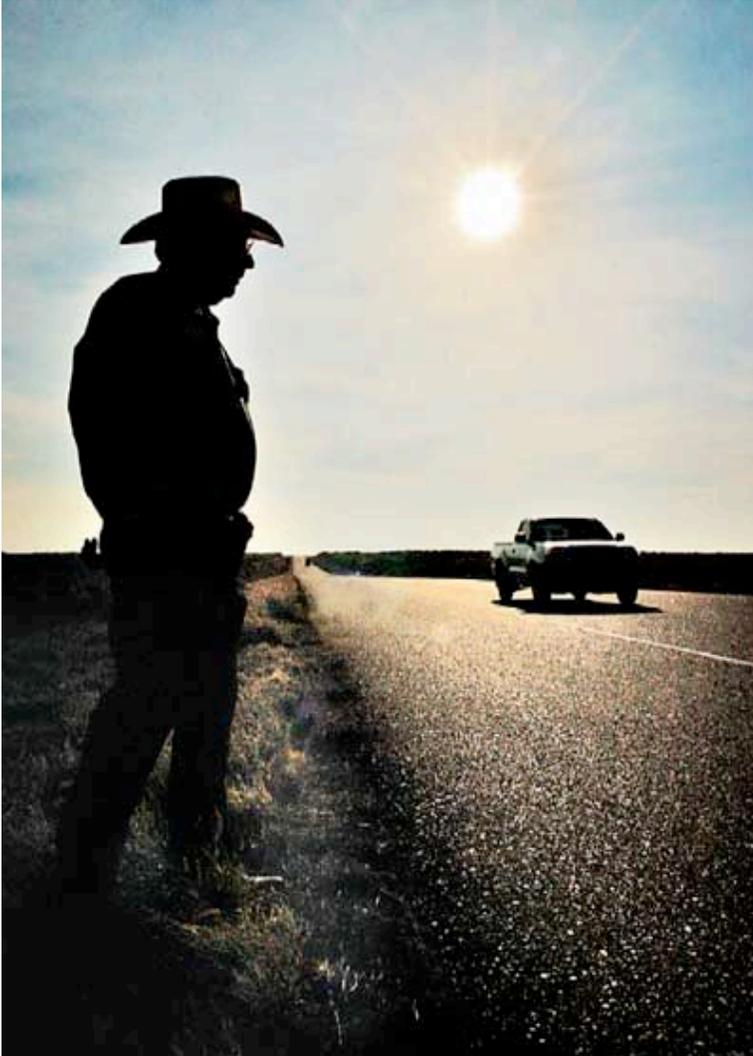


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denver & the west | truth be tolled - pt. II  
No 2-way street  
When landowners help pay the toll

By Chuck Plunkett  
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**WATCHING THE ROAD GO BY** | Texas resident Adolph Puig, 74, stands next to Camino Colombia, a toll road that cuts through 91 acres of his 2,580-acre ranch outside the border town of Laredo. The highway, opened in 2000, missed its revenue projections by an estimated 94 percent. (Post / Hyoung Chang)

**Greenville, S.C.** - A four-lane toll road cuts through what used to be Katherine Ashmore's five-bedroom brick home.

From the double-wide manufactured house she bought with the relocation money - she says it wasn't enough to rebuild with brick - Ashmore watches the intermittent traffic rumble past and marvels at the sight.

She has lived in the countryside outside Greenville all her 86 years. Since the road opened five years ago, she has been on it only once, she says, adding that few of her neighbors can tolerate spending the \$2 fee to drive its 16 miles.

"Nobody thought it was a good idea," Ashmore said. "Nobody believed that it would work. Nobody believed that it would pay."

Nobody, that is, except the companies that performed the traffic and revenue projections for the road and had an even larger financial stake in seeing it built.

Ashmore's story and the story of the toll road called the Southern Connector have been repeated in similar forms from Florida to Colorado as developers and governments increasingly turn to toll roads to spur growth.

In Greenville, an authoritative but flawed set of traffic and revenue projections prepared by the nationally known company Wilbur Smith Associates helped persuade investors in 1998 to loan a newly created toll authority \$200 million. Greenville's Southern Connector was born.

From that \$200 million, Wilbur Smith collected more than \$12 million for a pair of contracts the authority promised the company if the bonds were sold - even as the company prepared the revenue projections that justified the loan.

The arrangements raise questions about the objectivity of the traffic and revenue study, experts and critics say. A Denver Post review of 23 toll roads built or under construction since 1985 found that five of them sold bonds based on projections prepared by companies promised or granted future business after their projections made sense to investors.

Wilbur Smith, Vollmer Associates and URS Corp. were the only forecasters hired in the projects reviewed. While five of their projections came out at or better than the revenues expected by the third year of the roads' existence, the other 15 open that long left toll authorities scrambling to refinance or cover their debt in other ways. In the worst case, taxpayers got stuck with what was supposed to be a private road that, at the current rate, may take decades to pay for itself.

"Something as major as the traffic study being done by a company maybe having a conflict of interest is pretty significant," said John Macko, who bought \$20,000 of Greenville's uninsured bonds as part of his private retirement account and has since watched the value of that investment drop to nothing on the secondary market, where he has failed to find bidders.

The upstate New York bankruptcy lawyer says he read the Southern Connector's "official statement" sent to prospective investors. Though it discloses Wilbur Smith's various roles, it does not specifically spell out that the dual roles might be considered a conflict.

Macko didn't connect the dots until asked about the arrangements in a recent interview. The revelation left Macko feeling betrayed. "I thought they were objective," he said. "I certainly would have taken that with several grains of salt." Now he's hoping the authority can sell new bonds - and pay him off.

### **Uprooted and upset**

When the Southern Connector was built, it took away the farmland Ashmore and her husband, James, had tilled with a horse and plow in their youth. The road took away the home they had shared since 1941.

The road took 152 properties and meant 42 families or individuals had to move, including two of Ashmore's three sons.

One of those sons, Odell, had saved for 20 years to put in a sod airstrip on his land for a 1960 Cessna 182, a beater plane he bought in 1990, refurbished, certified and learned to pilot.

"That was my dream," he said. "To own my landing strip on my own little property and my own plane."

Six months after he had it all together, toll road officials gave him his condemnation papers. Some people, like Odell's mother, sold, fearing the process. She got \$88,000 for property valued as high as \$140,000, Odell said.

It was supposed to be all for the greater good, to promote economic development in a rural area and provide better access to an industrial park.

But so far, Katherine Ashmore said, "it's not turned out the way they thought it would."

The road has struggled ever since it opened in March 2001. Though Wilbur Smith forecast that revenue in 2005 would be \$13.2 million, actual collections were only \$4.7 million - or less than 36 percent of projections.

George Price, who fought the road, says the missed projections were a clear result of overreaching.

"They needed numbers in order to be able to match the bond- revenue figures," Price said.

The former Lakewood police sergeant lived in Greenville during the road's financing and construction, and he reviewed hundreds of documents after filing a lawsuit to fight the project. He still keeps them in stables on his new property in Charlotte, N.C.

"Why else would you become (part of) a team that's bidding the project?" Price said. "Where's your independence?"

"Is there fraud involved? I think there is."

Wilbur Smith forecaster Ed Regan said fraud was certainly not involved. The company normally avoids deals with companies it also is providing with traffic studies, but in this case he said he established a firewall between his office in New Haven, Conn., and the company's headquarters in Columbia, S.C.

But critics ask how sturdy that firewall might have been, considering that Wilbur Smith's then-chief executive and board chairman, Robert "Bud" Hubbard, worked with other investors to bring the Southern Connector to town and was considered the "kingpin" to the project's success by the president of the construction company that built the road.

### **Significant connections**

In early 1995, Hubbard - who is now deceased - called Robert Farris, a former head of the Federal Highway Administration and deputy administrator for Presidents Reagan and George H.W. Bush.

Hubbard had gotten to know Farris before his stint in Washington, as Wilbur Smith had opened an office in Tennessee during the time Farris served as its highway commissioner.

A regional salesman of swimsuits for competitive teams, with no road-building experience, Farris had run Richard Nixon's campaign in Tennessee and remained an active Republican backer.

He accepted then-Tennessee Gov. Lamar Alexander's request to leave sales for highways from 1981 to 1985.

Farris later joined the Reagan administration.

Not long after Hubbard called to talk about a toll road in Greenville, Farris became president of the company assembled to build it.

Farris and other key players held a meeting near the end of 1995 in Wilbur Smith's Columbia headquarters with Hubbard and three other Wilbur Smith officers.

By that time, it already had been decided that Wilbur Smith would provide revenue forecasts and get a contract for designing the road's toll- collection system, and a subcontract to do significant engineering work, according to documents Price obtained.

One of those documents was an agreement reached in July 1995 that explained Wilbur Smith would update preliminary feasibility studies, stating that the company would provide "an



**THE AIR TAKEN OUT** | Odell Ashmore stands on the land he acquired after his previous property was condemned to allow for South Carolina's Southern Connector, which runs on the other side of the fence. Ashmore, whose mother's house was also razed to accommodate the road, had saved for 20 years to put in a sod airstrip on his original land for a 1960 plane. "That was my dream," he said. "To own my landing strip on my own little property." (Post / Hyoung Chang)

array of analyses for traffic and revenues to embellish the feasibility studies undertaken" already.

One of the Wilbur Smith officers at the meeting was Herman Snyder, who then supervised the company's South Carolina projects. Also present were Samuel and Thomas Thrift, who ran the Thrift Brothers construction company that would build the road.

In 1991, Snyder resigned as the state's chief highway engineer after he pleaded guilty to a minor misdemeanor charge in response to a charge that he improperly accepted a \$2,000 cash gift from Thrift Brothers.

The construction company lost its licenses to bid for state projects for several months. The brothers were fined and required to perform community service.

Now Snyder was at Wilbur Smith, working with Thrift Brothers to bring the Southern Connector to Greenville.

In an interview at his Greenville home, Farris defended the arrangements. He said that Thrift Brothers was well-regarded and did excellent work. He said Wilbur Smith - as well as Vollmer and URS - were excellent companies with enough professional integrity to resist any external pressure.

"I would not want to be party to any charge of an ... optimism bias," Farris said, adding that researching such arrangements was "a waste of time."

The financing system, he said, is filled with checks and balances, chief among them the bond-rating agencies, which scrutinize the projections carefully.

And during the Southern Connector's meetings with the rating agencies before releasing their official statement to investors, Farris said the bulk of the questions focused not on the projections but on whether the road could be built with the money loaned it.

"My concern was, 'Could I get it built with that kind of money?'" Farris said.

Regan, the Wilbur Smith officer in charge of the forecasts, said he was completely unaware of the arrangements - by choice.

"We did the study exactly like we did every other study," Regan said. "We always do the study independently."

So, with all those precautions in place to prevent bias, how did Wilbur Smith's projections miss by 65 percent?

Regan blames a downturn in the local manufacturing economy, which was closing textile mills. Using federal labor

statistics, Regan shows that when the traffic study was done in 1997, there were 60,000 manufacturing jobs in the Greenville area, and nearly that many still existed when the road opened in 2001.

Soon after, the employment level started to fall. As 2006 started, there were only 44,600 manufacturing jobs.

"I would never, never, never overestimate anything," he said.

But a longer view of federal Bureau of Labor Statistics records shows that manufacturing jobs were falling in Greenville long before Regan started on the projections for the Southern Connector.

From 1990 to 1996, manufacturing employment in the area fell by 4,300 jobs, from 64,300 to 60,000.

Still, as Regan prepared the projections for the road, he used job-growth assumptions provided by local governmental forecasters that proved to be optimistic.

And those statistics played a key role in the traffic model he built for Wilbur Smith.

"It's a very uncertain process," he said. "The biggest risk factor is uncertainty about economic growth."

But Regan had agreed with the local forecasters - and even found their projections to be conservative - in Wilbur Smith's 1997 traffic and revenue study.

"Not only were the (local officials') forecasts below the historical trend line," the study said, "but there is at least one other forecast that future employment growth will exceed the historical trend."

### **Sticking with URS**

In Florida, the state tolling authority has worked with URS since it opened the Florida Turnpike in the 1950s. In 1988 the authority hired URS to serve as its in-house consultant, and over the next 14 years the state paid the firm more than \$50 million to help it build its contemporary system. At the same time, URS generated projected-revenue figures for several planned toll roads - and on some of them gained additional work.

Florida continued to renew its contract with URS even as the company missed projections.

The Seminole Parkway's first section, which opened in 1994, missed its first full-year projection by more than 54 percent.

The Veterans Expressway, which opened in 1995, missed its first full-year projection by 42 percent.

URS got one right, with Florida's Southern Connector Extension (unrelated to the South Carolina road of a similar name) - which joined another toll road near Kissimmee - and surpassed expectations in 1997 by 2 percent. The company then missed on the Polk Parkway a few years later by 32.5 percent.

The state's tolling officials hired the company to do other work on the roads being built based on URS's optimistic projections.

The state gave URS \$9 million for engineering work for the Polk Parkway and an extension of the Seminole Parkway.

Further, the consultant bought another company that was designing tollbooths on the Polk Parkway and was paid \$5.3 million to finish the work - though its revenue studies had been used to justify the road's existence.

In the fall of 2003, URS released a traffic study used to sell bonds on the Western Beltway Part C, a toll road now under construction.

The state already had granted URS a contract in the summer of 1997 for design work on the road.

In that 1997 Western Beltway contract, the state said it could stop the work with 60 percent of the designs completed if the authority decided that the project wasn't economically feasible. That didn't happen. The bonds sold, and URS has been paid \$5.2 million to date for its design work on the project. URS declined to comment.

The director of the state's tolling authority, James Ely, said in an interview that Florida would not allow its traffic consultant to gain additional work on a road it was studying, adding: "You don't want them to color their estimates."

Asked about the dual roles URS assumed on the Polk Parkway, Seminole Parkway and Western Beltway, Ely dismissed any questions about possible conflicts of interest.

"This notion that URS, if they do a traffic and revenue study, might be more liberal if they might get work, I don't buy that," he said.

Ely also said that URS got its estimates "on the money," until asked about several misses documented in this series.

In contrast to the opinions of several Wall Street analysts, Ely said, "I think it's shortsighted to look at its projections in its first years."

Because Florida's authority benefits from a large, statewide system, money it collects from stronger, established roads has been able to cover the shortcomings of the others, he said.

The state also has engaged in several refinancings and recalibrated its traffic model more conservatively for those roads that missed.

### **A dramatic failure**

Outside the border town of Laredo, Texas, a toll road cuts through 91 acres of Adolph Puig's 2,580-acre ranch.

"How'd you like to see a country club right here?" Puig said, standing on the road's shoulder and pointing to a stretch of red dirt, prickly pear cactus and mesquite, freshly green the second day of spring.

Puig donated the 91 acres to the private toll road venture and added some Texas-style sweat equity. With a surveyor in tow, Puig, now 74, spent weeks on a tractor carving the path of the highway's centerline through 22 miles of ranchland under a summer sun.

Opened in October 2000 by several local families, including Puig's, the Camino Colombia toll road failed so dramatically that it actually closed for five months.

In this case, the forecaster - URS - wasn't hired to do additional work, but its projections proved wildly optimistic. Investors who bailed out of the project say they doubted the projections from the beginning and worried that supporters were being too optimistic about their chances.

Even Puig, who donated land and stayed in hoping that someday he or his grandchildren would get a cut of toll profits, shakes his head at the projections.

"Let me put it this way," he said. "They say they were going to build the road and get the money. They got the money and built the road."

The two-lane highway - built with \$75 million in loans from a pair of East Coast life-insurance and investment companies, and another \$15 million in donated land and capital by families such as Puig's - missed its revenue projections by an estimated 94 percent, by far the biggest miscalculation of the 23 roads reviewed for this series.

By January 2004, New York Life Insurance Co. and John Hancock Life Insurance Co. had foreclosed on the road. John Hancock bought it for \$12.1 million at an auction on the courthouse steps.

And though during that auction the state's Department of Transportation had stopped bidding when the price exceeded \$11.1 million, transportation commissioners changed their minds a few months later - after John Hancock closed the road.

The state bought the Camino Colombia for \$20 million and reopened the road that August.

The \$20 million investment means the state gained "an asset" in the Camino Colombia, said Gabriela Garcia, a

spokeswoman for the Texas Department of Transportation, adding that it would cost much more to build the road now.

But at its current rate of collections - \$504,270 in 2005 - it would take nearly 40 years for the road to pay for itself.

Now it is possible to stand on the road at high noon and not see a car or truck pass by for four minutes.

The road's frontman, Carlos Y. Benavides III, of a politically connected South Texas family that invested substantially in the project, told investors the road would benefit from the North American Free Trade Agreement and see 1,500 trucks a day in its first year.

"Ultimately, it's about getting people to feel comfortable about lending you the money," he said.

But in the road's first year, fewer than 75 truckers used the road daily.

"It's not a perfect science," he said.

Benavides blames the Laredo World Trade Bridge - which opened shortly before the Camino Colombia and doesn't charge a toll - for siphoning away the truckers he expected.

He says the state took too long to approve his project, which prevented the Camino Colombia from establishing itself before the city's new bridge opened.

And he blames the city for not requiring trucks hauling hazardous materials to use a bridge closer to the Camino Colombia - which he says the city had promised to do.

But the area got a road, and eventually, enough development will come to support it, he says.

As far as the lost money is concerned, folks here are somewhat circumspect.

"You tell me that people in New York are losing money," Puig said. "I lost 91 acres. ... They invest in everything. But I got a highway."

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## Slow starters

Of 22 operating toll roads, only five were close to or exceeding revenue projections at the end of their third full year. In four cases, highlighted below, revenue estimates were prepared by traffic consultants or,



as at the Northwest Parkway, subconsultants who were promised or granted future work worth millions of dollars if the roads were built. Traffic consultants provide an array of explanations for why roads don't meet projections, such as recessions, terrorist attacks and fuel costs.

- Also backed with local vehicle-registration fees
- ▼ Also backed by gas tax and other revenues
- + The road grossed 54 percent of 2005 projections and is expected to miss 2006 by at least that much
- Industry estimates
- Also backed by development-impact fees
- Also backed by property taxes

TOLL ROAD	TRAFFIC CONSULTANT	PROJECTIONS	
		% OF 1ST FULL YEAR	% OF 3RD FULL YEAR
<b>Colorado</b>			
E-470 ●	Vollmer	61.8%	60.3%
Northwest Parkway	Vollmer PBC/C&B	66.7%	+
<b>California</b>			
Eastern/Foothills ■	Wilbur Smith	78.6%	77%
San Joaquin Hills ■	Wilbur Smith	50.5%	55.5%
<b>Florida</b>			
Osceola Parkway	URS	34%	50.1%
Polk Parkway	URS	67.5%	78.4%
Seminole Parkway	URS	45.6%	70.7%
Southern Connector Ext.	URS	102.2%	95.4%
Veterans Expressway	URS	57.9%	65%
<b>Georgia</b>			
Georgia 400	Vollmer	122.2%	142.9%
<b>Oklahoma▼</b>			
Cherokee Turnpike	Wilbur Smith	87.2%	97.1%
Chickasaw Turnpike	Wilbur Smith	21.2%	24%
Creek Turnpike	Wilbur Smith	49%	56.3%
John Kilpatrick Turnpike	Wilbur Smith	18%	29.3%
<b>South Carolina</b>			
Southern Connector	Wilbur Smith	34.5%	35.3%
<b>Virginia</b>			
Chesapeake Expressway	Wilbur Smith	139%	145.5%
Pocahontas Parkway	Wilbur Smith	51.5%	58.5%
<b>Texas</b>			
Camino Colombia	URS	6% ●●	N/A
Fort Bend Parkway	Wilbur Smith	76.7%	N/A
Hardy Toll Road ■	Wilbur Smith	15.6%	26.3%
President Bush Turnpike	Wilbur Smith	84.8%	175.1%
Sam Houston Tollway ■	Wilbur Smith	56.3%	74.4%

Sources: Tolling authorities, bond documents, revenue reports and traffic consultants

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