

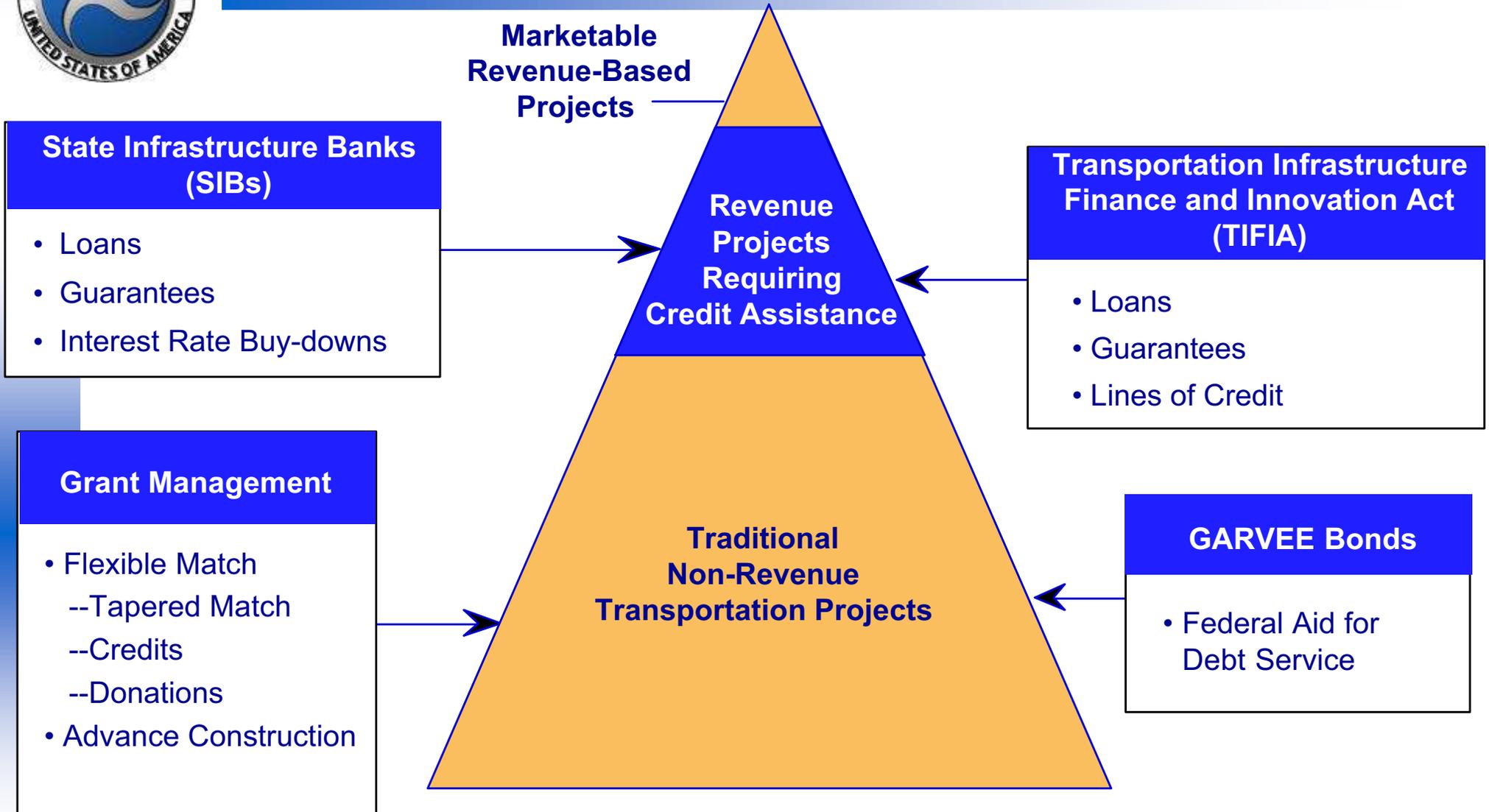
USDOT Innovative Finance Overview

Innovative Project Finance For Surface Transportation

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Federal Highway Administration – NC Division
May 11, 2005*



Federal Project Finance Tools for Surface Transportation Infrastructure





Grant Management Tools

- **Advance Construction**

- **Flexible Match**
 - Publicly-Owned Land
 - In-Kind Contributions
 - Soft Match
 - Tapered Match



Advance Construction

- **State may use non-federal funds to advance a project while preserving its eligibility to receive Federal-aid reimbursements in the future**
- **When federal obligation authority becomes available, project is converted to a Federal-aid project**
- **Advance construction project must follow federal procedures**
- **States may request a partial conversion of advance construction**
- **Advance construction allows a state to better manage obligation authority**



Tapered Match

- **Non-federal matching ratio is permitted to vary over project construction timeframe**

- **FHWA Division may approve a tapered match for any Title 23 U.S. Code project when approval would result in one of the following:**
 - earlier project completion;
 - reduced cost; or
 - leveraging of non-federal funds.

- **Tapered match may not be used for projects involving advance construction or GARVEE financed projects**



Flexible Match - Benefits

- **Project acceleration**
- **Allows states to reallocate state funds**
- **Promotes public-private partnerships by providing incentives to seek private donations**



State Infrastructure Bank (SIB) Pilot Programs

- **National Highway System Designation Act (1995)**
 - Capitalization: 10% of ISTEA apportionments (FY 96-97)
 - Federal requirements: apply to first round of assistance
 - 39 states approved

- **TEA-21 (1998)**
 - Capitalization: unlimited % of apportionments
 - Federal requirements: apply to all SIB assistance
 - Eligible states: CA, FL, RI, MO, TX



SIB Background

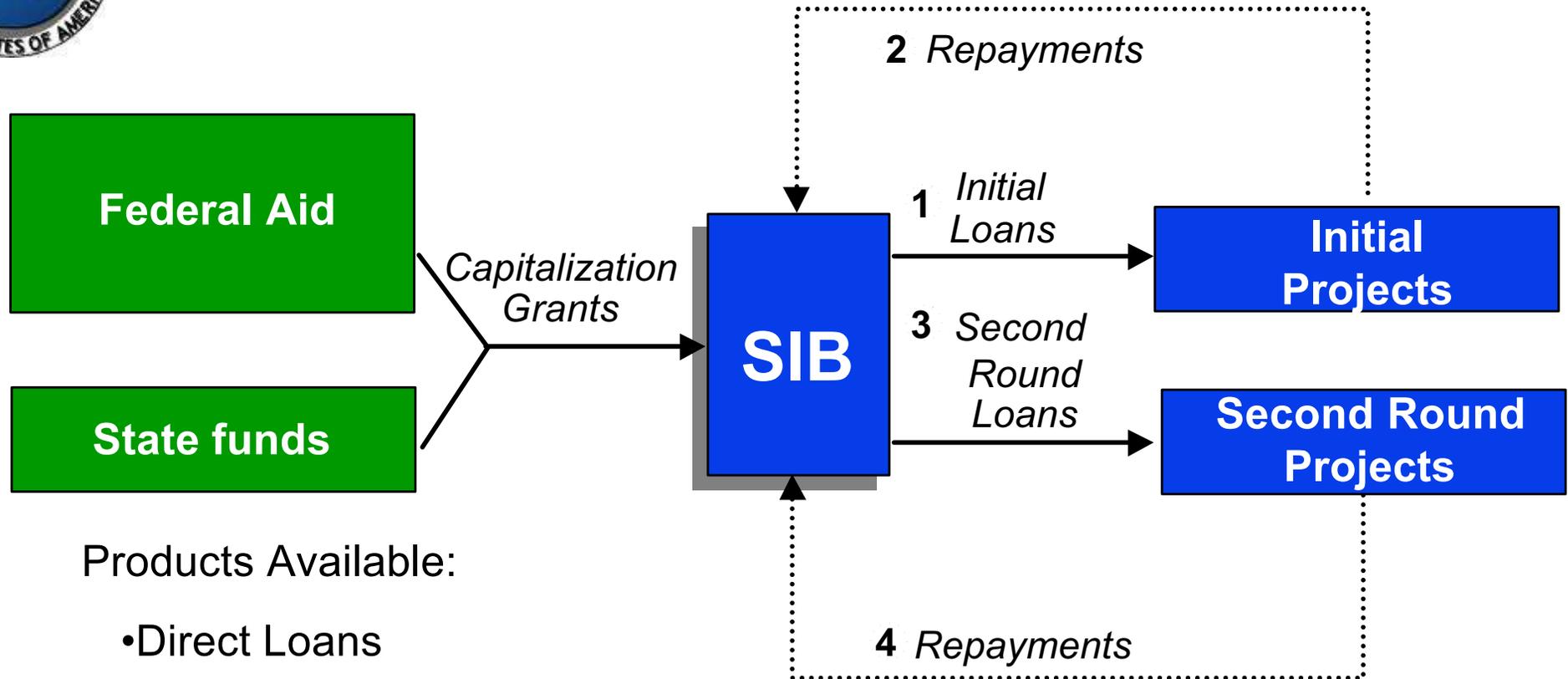
- **Allows states to create revolving credit assistance funds (using apportioned Federal and state funds)**

- **Purpose: Assist projects that have a source of revenue, but need:**
 - Short-term financial assistance
 - Long-term financing

- **Repayments go back to SIB for transportation use**



SIB Flow of Funds



Products Available:

- Direct Loans
- Loan Guarantees
- Interest Rate Buydowns
- Other



SIB Activity by State

(as of June 30, 2004)

STATE	NUMBER OF AGREEMENTS	LOAN AGREEMENT AMOUNT (\$000)	DISBURSEMENTS TO DATE	STATE	NUMBER OF AGREEMENTS	LOAN AGREEMENT AMOUNT (\$000)	DISBURSEMENTS TO DATE
1 Alaska	1	2,737	2,737	18 North Dakota	2	3,891	3,891
2 Arizona	45	521,442	418,825	19 Ohio	59	203,132	130,953
3 Arkansas	1	31	31	20 Oregon	15	19,846	18,396
4 California	2	1,120	1,120	21 Pennsylvania	47	31,000	27,000
5 Colorado	4	4,400	1,900	22 Puerto Rico	1	15,000	15,000
6 Delaware	1	6,000	6,000	23 Rhode Island	1	1,311	1,311
7 * Florida	46	741,337	256,675	24 South Carolina	8	2,605,000	1,765,000
8 Indiana	2	5,715	5,715	25 South Dakota	3	28,776	28,776
9 Iowa	2	2,879	2,879	26 Tennessee	1	1,875	1,875
10 Maine	23	1,635	1,635	27 Texas	46	259,260	250,683
11 Michigan	33	22,207	22,207	28 Utah	1	2,888	2,888
12 Minnesota	15	95,719	77,013	29 Vermont	2	1,975	1,300
13 * Missouri	15	92,057	72,854	30 Virginia	1	18,000	17,985
14 Nebraska	2	6,792	6,792	31 Washington	3	2,376	487
15 New Mexico	2	14,600	14,600	32 Wisconsin	3	1,813	1,813
16 New York	10	27,700	27,700	33 Wyoming	8	77,977	42,441
17 North Carolina	2	1,713	1,713	Total	407	4,822,204	3,230,195

* Florida and Missouri executed agreements under TEA-21



SIB Benefits

- **Leverages funds**
- **Expands eligibility**
- **Creates a dedicated revenue source**

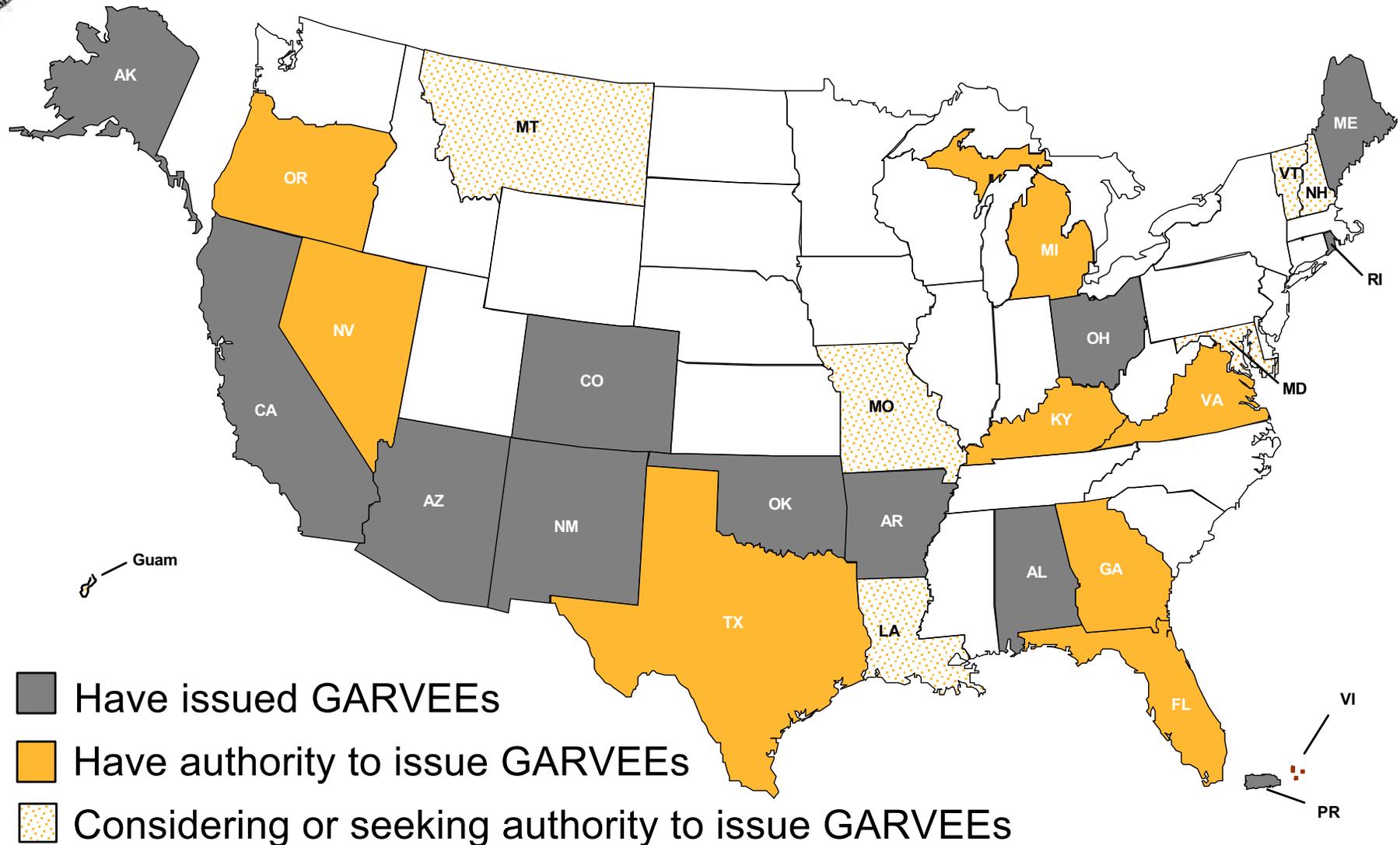


GARVEE

- “Grant Anticipation Revenue Vehicle”
- Federal funds apportioned or allocated to the state may be used to pay the Federal share of debt service and issuance costs on eligible projects
- An “eligible debt financing instrument” can be bond, note, certificate, mortgage, lease or other debt financing instrument issued by a state, political subdivision, or a public authority, used for an eligible project under Title 23, U.S. Code.

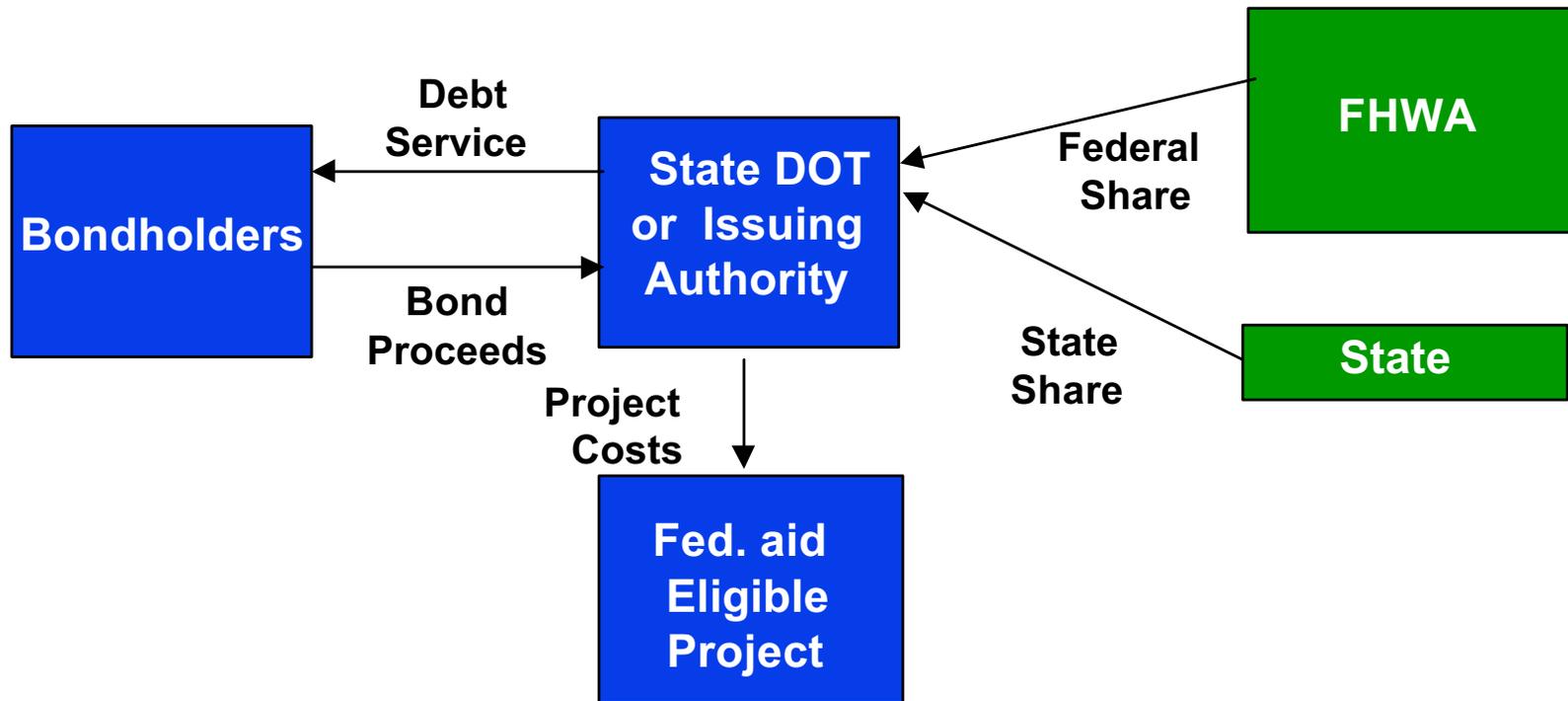


GARVEEs: State Participation





GARVEEs: Flow of Funds





Comparison: Regular Federal-Aid Project vs. GARVEE Debt-Financed Project

	Standard Federal Aid Project	GARVEE Debt-Financed Project
Cost Eligible for Federal Reimbursement	Eligible construction costs	Debt service (including principal, interest, and issuance) for bond issue to finance eligible Federal-aid project
Basis for Reimbursement	Construction expenditures	Debt service payments
Timing of Reimbursement	Period of construction	Term of debt
Federal Requirements	All applicable	All applicable
What Shows on STIP?	Total funds needed to reimburse construction expenditures during fiscally-constrained years of STIP	Total funds needed for debt services during fiscally-constrained years of STIP



GARVEE Project to Date

(April 2005)

State	Number of Issue	Total Amount Issues	Projects Financed	Backstop
Alabama	1	\$200 Million	County Bridge Program	All Federal construction reimbursements. Also insured.
Alaska	1	\$102.8 Million	Eight Road and Bridge Projects	Full faith and credit of state.
Arizona	4	\$358.5 Million	Maricopa freeway projects	Certain sub-account transfers.
Arkansas	3	\$575 Million	Interstate Highways	Full faith and credit of state, plus state motor fuel taxes.
California	1	\$615 Million	Eight Road Projects	Insured except 2005 series
Colorado *	5	\$14,86.3 Million	Any project financed wholly or in part by Federal funds	Federal highway funds as allocated annually by CDOT; Other state funds.
Maine	1	\$48.4 Million	Replacement of the Waldo-Hanckck Bridge	Insured
New Mexico	3	\$818.7 Million	New Mexico SR 44	No backstop; bond insurance obtained.
Ohio	5	\$438.8 Million	Various projects including: Spring-Sandusky and Maumee river improvements	Moral Obligation pledge to use state gas tax funds and seek general fund appropriations in the event of Federal shortfall.
Oklahoma***	1	\$47.6 Million	Projects in 12 corridors	None
Puerto Rico	1	\$136 Million	Various Transportation Projects	Mix of tax and fee revenue
Rhode Island	1	\$217.0 Million	Freeway, Bridge and Freight Rail Improvement Projects	None
Virgin Islands	1	\$20.8 Million	Enighed Pond Port Project and Red Hook Passenger Terminal Building	Insured
Total		\$5,064.9 Million		



GARVEE Benefits/Risks

- Project savings through accelerated planning and construction
- May allow additional bonding authority
- Normally require neither public votes nor increased gas taxes

- GARVEEs maturing beyond a current Federal transportation funding cycle face reauthorization risk
- During reauthorization cycles, Congress may alter total funding to surface transportation, the allocation between highways and transit, allocations by state, and even the presence of nature of funding firewalls
- In some cases, debt service payments on GARVEE bonds are also subject to state appropriation



TIFIA Overview

- Transportation Infrastructure Finance and Innovation Act (1998)
- Eligible Projects
 - Highways
 - Transit
 - Intercity passenger bus/rail
 - Publicly owned freight transfer facilities
 - Excludes seaports and airports
- Types of Assistance
 - Secured (direct) loans
 - Lines of Credit
 - Loan Guarantees

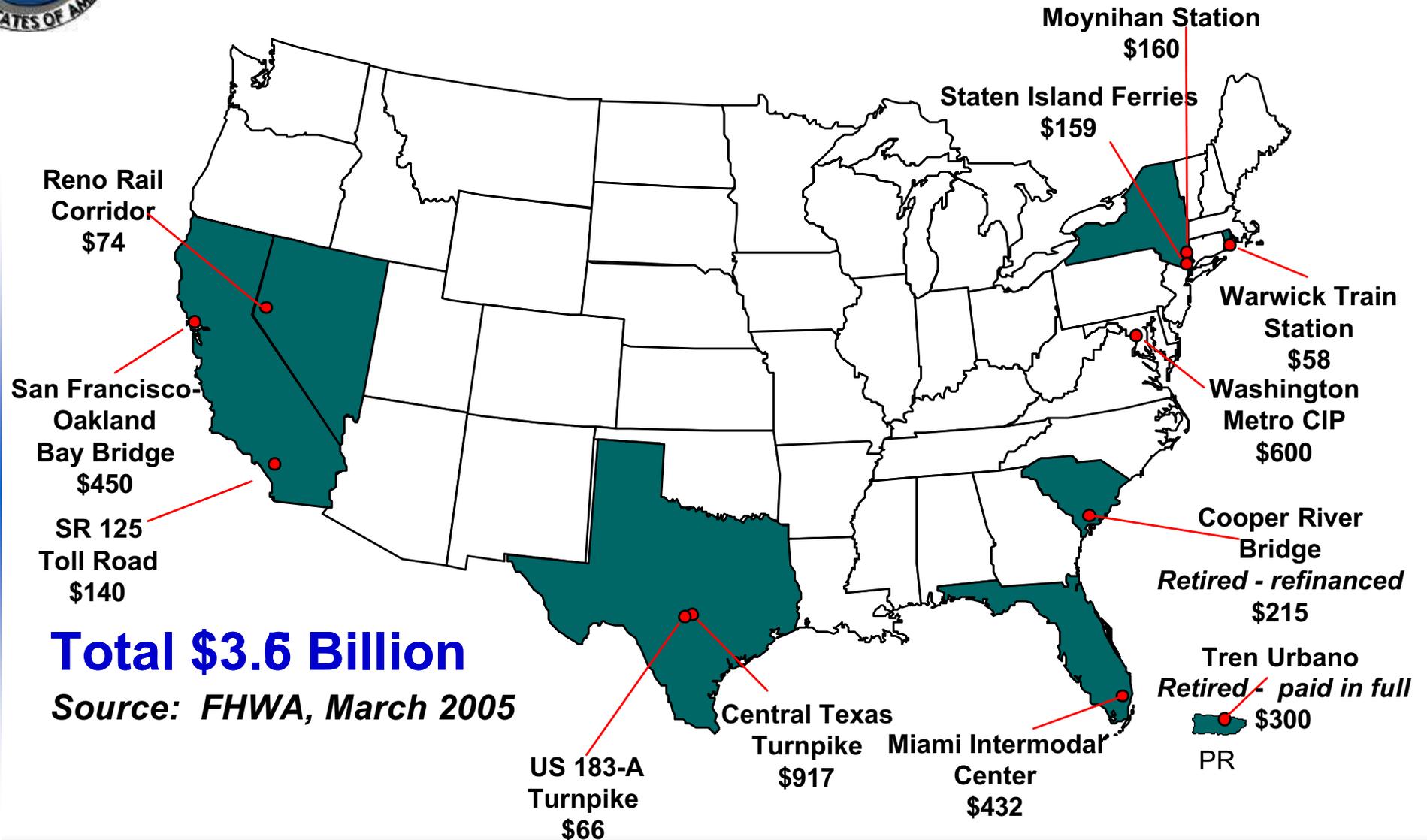


TIFIA Overview (cont.)

- Major requirements
 - Large surface transportation projects (\$100M, \$30M for ITS projects)
 - TIFIA contribution limited to 33 percent
 - Investment grade rating requirement
 - Dedicated revenues for repayment
 - Applicable Federal requirements (Civil Rights, NEPA, Uniform Relocation, Titles 23/49)
 - State/local approvals (transportation plans and permits)



TIFIA Projects (TIFIA Instruments in Millions)





TIFIA Portfolio

(March, 2005)

(in Millions)

TIFIA Number	Project	Project Type	Project Cost	Instrument Type	Credit Amount	Credit Rating		Primary Revenue Pledge
						Senior debt obligations	TIFIA loan	
Active Credit Agreements								
19991002a	Miami Intermodal Center	Intermodal	\$1,349	Direct Loan	\$ 269.076	*	A-	Tax Revenues
20011002a	Reno Rail Corridor	Intermodal	280	Direct Loan	50.500	BBB	BB	Room and Sales Tax
20011001	Central Texas Turnpike	Highway	3,700	Direct Loan	916.760	BBB+	BB	User Charges
20001004	Staten Island Ferries	Transit	482	Direct Loan	159.068	A+	A+	Tobacco Settlement Revenues
19991005	Washington Metro CIP	Transit	2,324	Guarantee	600.000	A-	BBB	Interjurisdictional Funding Agreements
20031002	SR 125 Toll Road	Highway	642	Direct Loan	140.000	BBB-	BB+	User Charges
20051001	183 A Toll Road	Highway	331	Direct Loan	66.000	BBB-	BB	User Charges
Total					\$2,201.404			
Commitments Awaiting Credit Agreements								
19991002b	Miami Intermodal Center	Intermodal	^a	Direct Loan	163.676			User Charges
19991004a	Moynihan Station	Passenger Rail	800	Direct Loan	140.000			Lease Income
19991004b	Moynihan Station	Passenger Rail	^b	Line of Credit	20.000			Lease Income
20011002b	Reno Rail Corridor	Intermodal	^c	Direct Loan	5.000			Lease Income
20011002c	Reno Rail Corridor	Intermodal	^c	Direct Loan	18.000			Assessment District Revenues
20021001	San Francisco Oakland Bay Bridge	Highway	3,305	Direct Loan	450.000			Toll Surcharge
20031001	Warwick Train Station	Intermodal	182	Direct Loan	58.000			User Charges
Total					\$854.676			
Retired Credit Agreements								
19991006	Tren Urbano (PR)	Transit	1,676	Direct Loan	300.000	BBB+	BBB-	Tax Revenues
20001003	Cooper River Bridge	Highway	668	Direct Loan	215.000	BBB-	BBB-	Infrastructure Bank Loan Repayments
Total					\$515.000			
Total All Categories			\$15,739		\$3,571.080			

Note: Project costs and credit ratings as of TIFIA financial closing

- Footnotes
- ^a Project Cost included in TIFIA Number 19991002a
 - ^b Project Cost included in TIFIA Number 19991004a
 - ^c Project Cost included in TIFIA Number 20011002a
 - * TIFIA is the only project debt



TIFIA Benefits

Benefits	Issues
<ul style="list-style-type: none">• Flexible payment terms<ul style="list-style-type: none">–Grace Period–Back-loaded debt service–Deferrals during ramp-up• No penalty for prepayment• Increased debt capacity through subordination• Enhances senior debt• Low transaction costs• No interest costs incurred until funds disbursed• Can be combined with other tools• Does not affect FA apportionments• Can borrow at a AAA taxable rate	<ul style="list-style-type: none">• State legislation may be required• Competitive process/application required• Depending on market conditions and senior debt ratings, interest rates may be slightly higher than tax-exempt financing• “Federalizes” project• “Springing lien” requirement• Cost threshold for some projects• Project’s readiness• Limitation on use of excess revenues



Sec. 129 Loans

- **Federal grant funds may be loaned to a project sponsor**

- **Loans have to be for:**
 - Eligible projects
 - Can be for up to 30 years beyond completion
 - At or below market interest rates
 - Dedicated repayment source required
 - Repayment can be deferred until five years after project completion
 - Repaid funds used for Title 23 purpose



Public-Private Partnerships (What)

- **Mutually beneficial ventures**
- **Collaborative enterprise**
- **Shared resources and risks, but mutual rewards**



Public-Private Partnerships (Why?)

- **Infrastructure needs are greater than financial resources**
- **Need to attract new capital**
- **Need to streamline processes**
- **Need to reduce time and cost to project completion**
- **Opportunity for economic opportunities**



Public-Private Partnerships (Examples)

- **Dulles Greenway (Virginia)**
- **14-mile private toll road extension of Dulles Toll Road connecting Leesburg to the Dulles Airport area**
- **\$350 million**
- **Design-build-operate contract**
- **Bonds issued to satisfy all previous note agreements and all other outstanding agreements**
- **\$35 million of current pay interest only bonds**
- **\$297 million zero coupon maturing in 2003 and 2005 with blended interest rate of 7%**



Public-Private Partnerships (Examples)

- **E-470 (Colorado)**
- **47-mile toll road along eastern edge of Denver metropolitan area linking major arterials and Denver International Airport**
- **\$1.2 billion**
- **Design-build-finance contract**
- **Financing: revenue bonds, vehicle registration fees, highway expansion impact fees on adjacent properties, lease revenues from cellular towers, easement permit fees**



Special Experimental Project (SEP-15)

- **Allows FHWA to experiment in four major areas of project delivery: contracting, right-of-way acquisition, project finance, and compliance with NEPA**
- **A form of public-private partnership**
- **Promote increased project management flexibility, innovation, efficiency, and timeliness, while simultaneously promoting new revenue sources**
- **Tests project development approaches that provide the flexibility and timely decision-making often required to attract private capital while still exercising essential FHWA stewardship responsibilities.**



SEP-15 (Continued)

- **Applicants must fully comply with all NEPA requirements and other state and Federal environmental laws and regulations**
- **Proposals should describe the specific Federal-aid program areas of experimentation and identify proposed performance measures to evaluate the success of the SEP-15 project**
- **Key objective: to identify for trial evaluation and documentation, public-private partnership approaches that advance the efficient delivery of transportation projects while protecting the environment and the taxpayers**
- **FHWA's public-private partnership website: <http://www.fhwa.dot.gov/ppp>**



Other Innovative Financing Techniques

- **Design-build**
- **Local option sales/gas taxes**
- **Impact Fees**
- **Special assessment districts**



Innovative Finance Resources

- **TIFIA web site**
<http://tifa.fhwa.dot.gov>
- **FHWA web site**
<http://www.fhwa.dot.gov/innovativefinance>
- **New Clearinghouse**
<http://www.innovativefinance.org>