

2nd Annual Infrastructure Financing Summit



Leveraging Public-Private Partnerships

*Duane Callender
TIFIA Credit Program*



*April 24, 2007
Chicago, IL*



TIFIA Credit Assistance

- ◆ **Secured (Direct) Loans** – Maximum term of 35 years from substantial completion. Repayments must start 5 years after substantial completion.
- ◆ **Lines of Credit:** Available up to 10 years after “substantial completion of project.”
- ◆ **Loan Guarantees:** To back loan between project sponsor and non-Federal institutional lender. Loan repayments to lender must commence no later than 5 years after substantial completion of project.

Background on TIFIA



Strategic goal – to leverage limited Federal resources and stimulate private capital investment in transportation infrastructure by **providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit** (rather than grants) to projects of national or regional significance.

➤ **Key objectives**

- Facilitate projects with significant public benefits
- Encourage new revenue streams and private participation
- Fill capital market gaps for secondary/subordinate capital
- Be a flexible, “patient” investor willing to take on investor concerns about investment horizon, liquidity, predictability and risk
- Limit Federal exposure by relying on market discipline

Background on TIFIA (continued)

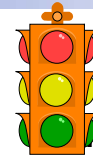


Major requirements

- Large surface transportation projects (\$50M generally, \$15M for intelligent transportation systems – ITS)
- TIFIA contribution limited to 33 percent
- Senior debt must be rated investment grade
- Dedicated revenues for repayment
- Applicable Federal requirements (Civil Rights, NEPA, Uniform Relocation, Titles 23/49)
- Public or private highway, transit, rail and port projects are eligible to apply for TIFIA assistance

➤ **Application process** – project sponsors must submit proposals, including financial plans, to USDOT for consideration.

Eligible TIFIA Sponsors and Projects



Highways and Bridges

Intelligent Transportation Systems

Intermodal Connectors

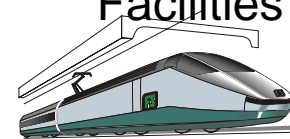
Transit Vehicles and Facilities

Intercity Buses and Facilities



Freight Transfer Facilities

Passenger Rail Vehicles and
Facilities





TIFIA's Flexible Credit Terms

TIFIA is designed to provide loan structuring advantages to its borrowers:

- Long term, fixed cost, permanent, up-front financing
- Senior or Subordinate Lien
- Flexible amortization
- No pre-payment penalty
- Rate is “locked” upon execution of credit agreement
- ‘AAA’ taxable interest rate for sub-investment grade debt
- Borrow as needed
- No negative arbitrage
- Non-recourse financing—project cash flow supported



TIFIA Loans – Notable Features

Innovations utilized by TIFIA borrowers include:

- Short-term (lower-cost) construction financing taken out with TIFIA loan, with no interest rate risk.
- Alternate debt service schedules, lessening possibility of payment default in event of underperformance.
- No fixed principal amortization schedule. Principal retired from annual surplus funds, using Project Life Cover Ratio as confirmation of ultimate recovery and trigger for contingent revenue increases.



TIFIA: Dedicated Repayment Sources

User-backed Financings	Pledged Revenues
Miami Intermodal Center RCF	Rental car customer facility charges
SR 125 SouthToll Road	Facility tolls
Moynihan Station	Commercial lease payments/retail rents
Central Texas Turnpike	Facility tolls
San Francisco-Oakland Bay Bridge	System-wide facility tolls
US 183 A Toll Road	Facility tolls
LA 1	Facility tolls
Tax-backed Financings	
Miami Intermodal Center GP	State fuels excise taxes
Washington Metro CIP	Local government contributions
Tren Urbano	Various commonwealth taxes
Cooper River Bridge	State and county contributions
Staten Island Ferries and Terminals	Tobacco settlement payments
Reno Transportation Rail Access Corridor	Local taxes and assessments



TIFIA and Co-Investors

TIFIA loan structure is cognizant of debt and equity investors:

- Federal Government is a 'patient investor' – when project economics require it.
- Negative amortization of TIFIA loan is allowed – but not when senior lenders are reducing their investment.
- Equity in a project financing should be a **very** patient investor.
- An extremely profitable project should expect to retire its TIFIA loan early.



TIFIA and Private Sector Borrowers

TIFIA authority to deal directly with private borrowers always part of program design:

- In 2003, \$140 million subordinate loan to Macquarie for **South Bay Expressway**, in conjunction with senior loans from banking consortium and equity from private developer.
- In 2006, received application to refinance a portion of Transurban's acquisition debt for the **Pocahontas Parkway** in order to construct the **Richmond Airport Connector**.
- In 2006, agreed to provide conditional assistance to competing concessionaires for **Texas CDA Projects** including **SH-121**.



Selected TIFIA Projects – Key Features

Project	Cost	Credit Amount	Key Credit Features
Miami Intermodal Center	1,349	269 163	<ul style="list-style-type: none"> • Two loans • TIFIA is senior debt on both loans. • For Rental Car Facility Loan, Project Life Cover Ratio used as a trigger for contingent rent and rental car fee increases.
SR 125 South	642	140	<ul style="list-style-type: none"> • Mandatory/Scheduled Debt Service Structure
Staten Island Ferries	482	159	<ul style="list-style-type: none"> • Alternative payment schedules
Reno Rail Corridor - ReTRAC	280	74	<ul style="list-style-type: none"> • Structured in three separate loans each backed by different revenue pledge
Central Texas Turnpike	3,700	917	<ul style="list-style-type: none"> • Planned TIFIA takeout of BANs, depending on cost effectiveness. • Alternative payment schedules
183-A Turnpike	331	66	<ul style="list-style-type: none"> • TIFIA takeout of Bans • Mandatory/Scheduled Debt Service Structure
LA-1	247	66	<ul style="list-style-type: none"> • TIFIA takeout of BANs



Private Activity Bonds

Private Activity Bonds (PAB) allow the issuance of tax-exempt debt for “Qualified” Private Facilities.

- Traditionally PABs have been used to finance facilities such as airports, docks, sewage facilities, and solid waste disposal facilities.
 - SAFETEA-LU legislation extended the authorization to Qualified Highways and Surface Freight Transfer Facilities (QHSFTF).
 - QHSFTF Bonds are subject to \$15 Billion nationwide limitation.
 - Receipt of a TIFIA Loan would meet the requirement that the project financed with Qualified Exempt Facility Bonds be receiving federal assistance under Title 23 or 49.
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- **Private Activity Bonds have numerous conditions for use, such as:**
 - Project and bonds have to be approved after public hearing and requires approval of elected public officials.
 - Limitations on preliminary expenditure (before bonds are issued)
 - 95/5 Requirement: Most proceeds must finance capital costs. 5% may finance non-capital costs (eg. Working capital)
 - Less than 25% of proceeds can be used to acquire land.
 - 85% of proceeds to be spent in 5 years.
 - Limitations on cost of issuance.
 - Limitations on depreciation methodology.



Private Activity Bonds (cont'd)

- Depreciation can have significant effects on post-tax equity returns on a private facility.
 - In most private projects with equity sources, shareholders take advantage of accelerated depreciation over a shorter period of time than the economic life of the asset, which increases the present value of post-tax equity cash flow.
 - Depreciation decreases the taxable income in a given year. The larger the depreciation charge, the lower the taxes that need to be paid and thus greater the cash flow to equity sources.
 - PABs require the use of straight-line depreciation over the economic life of the project instead of accelerated depreciation. This may decrease the post tax equity internal rate of return (IRR) from the project.



Private Activity Bonds (cont'd)

- **Currently, \$1.866 billion has been allocated to the SH-121 project in Texas, and \$1.4 billion and \$900 million has been allocated to two of three short listed proposers in the Port of Miami deal**
- **Have applications for \$600 million from the State of Missouri for their bridge program, and applications totaling \$1.1 billion for two intermodal freight transfer facilities in Illinois**
- **Another \$2.4 billion in the pipeline for projects in Texas and potentially Alaska**

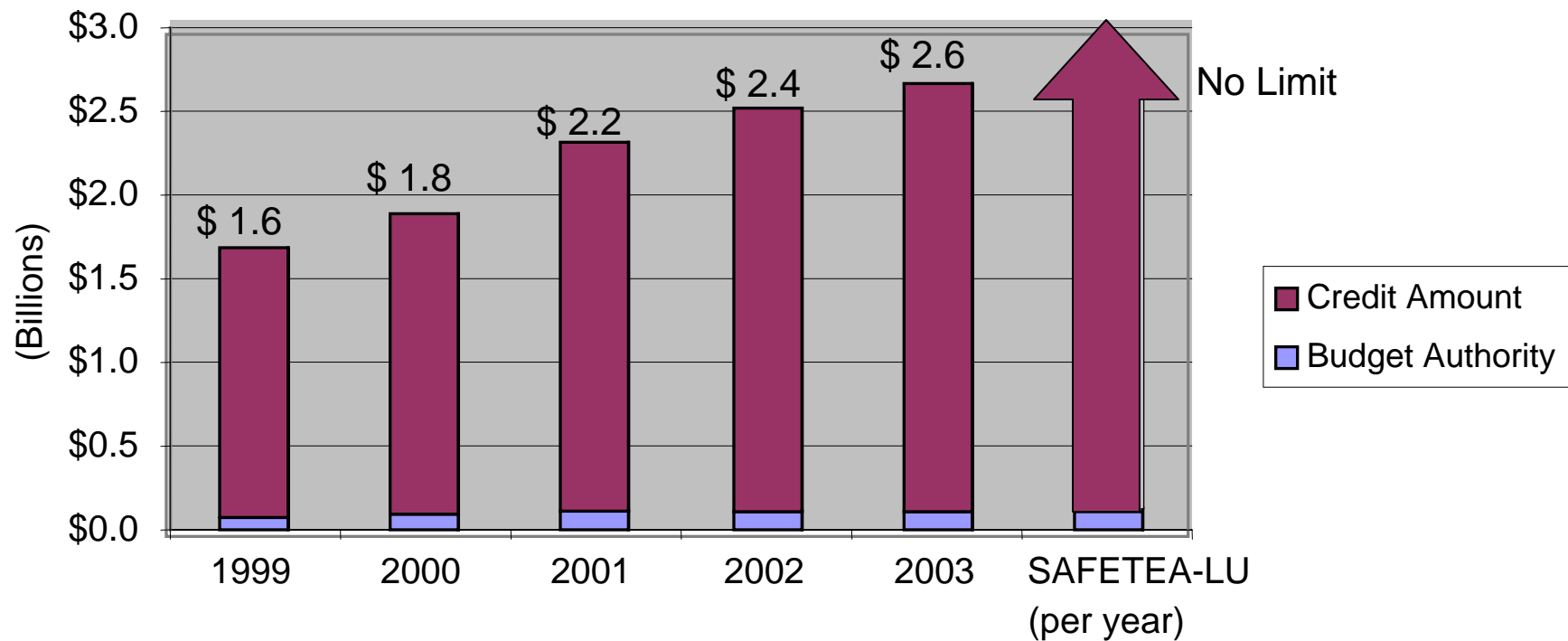
Funding Levels



Annual Authorizations: 2005 - 2009

Maximum Credit Amount: No limit

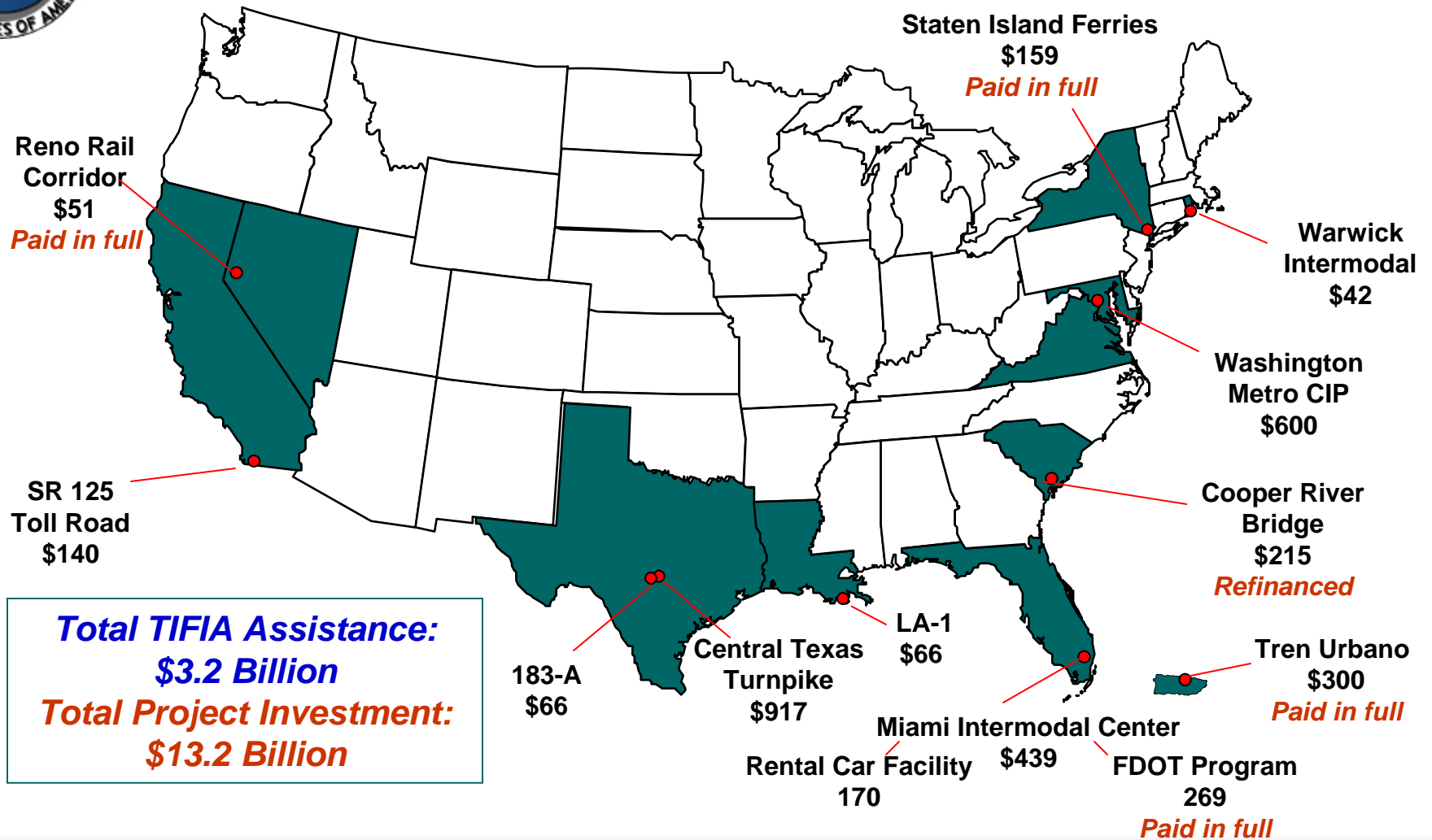
Maximum Budgetary Cost: \$122 Million





TIFIA-assisted Projects

(Credit Assistance in Millions)





TIFIA Program Fees

- **The TIFIA JPO will require each applicant to pay a non-refundable application fee of \$30,000.**
- **In addition each borrower will be required to pay a credit processing fee equal to a portion of the costs incurred by the TIFIA JPO in negotiating the credit agreement. This fee will typically range from \$100,000- \$300,000.**
- **Borrowers will also be required to pay a \$11,000 loan servicing fee annually.**



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