Alternative Transit Funding Sources and Finance

Implementation of PPPs for Transit

Co-sponsored by the US Federal Transit Administration and the National Council for Public-Private Partnerships

Boston, MA

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Infrastructure Management Group, Inc.™

Alternative Transit Funding Sources and Finance

- Transit Finance Overview
- Alternative Funding Sources
  - Parking
  - Naming Rights
  - Toll Roads
  - Transit-Oriented Development
    - Benefit Assessment Districts
    - Joint Development
    - Retail
    - TOD Funding Timing Challenges
    - P3 Corridor Focus
- Leveraging TIFIA for Alternative Finance

Overview: Transit is moving -- not at high-speed, yet -- towards more innovative funding sources

System Revenues

Farebox

Non -Farebox

- Advertising
- Air Rights
- Naming Rights
- Concessions
- Commercialization
- Parking
- Outsourcing

Funding Sources

Traditional

- Local taxes
- State
- Federal - New Starts

Innovative

- TOD/Joint Development
- Benefit Assessment Districts (Special Assessments)
- Tax Increment Finance
- Asset Monetization
- Partner Agencies

Financing Mechanisms

Traditional

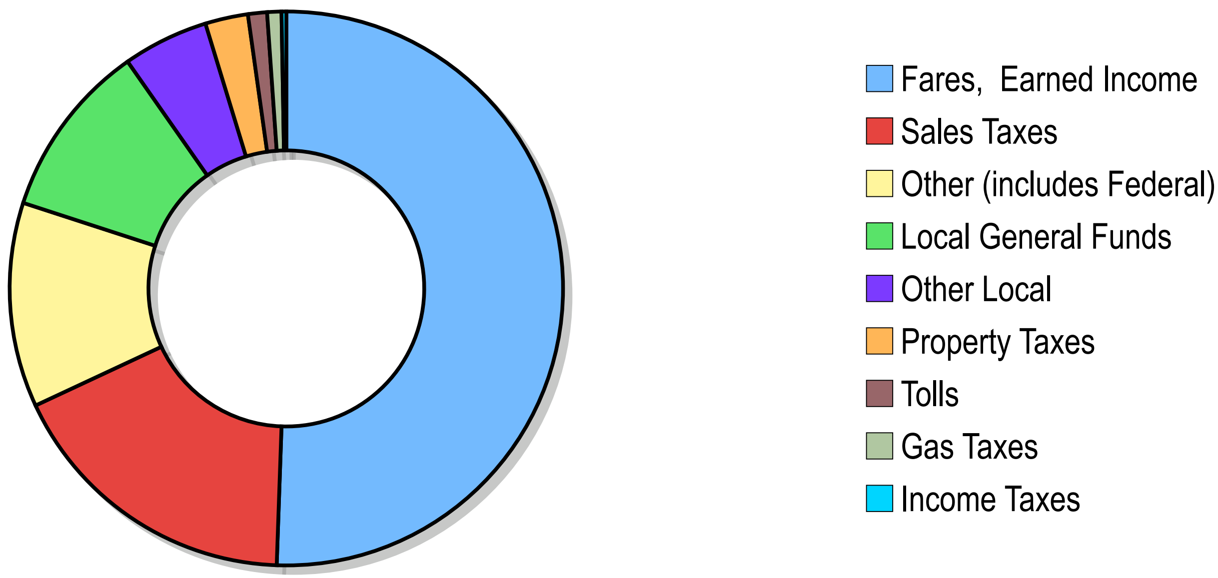
- Debt
- Pay as you go

Innovative

- Availability Payments
- TIFIA
- RRIF
- SIB Loans
- Tax Credit Bonds
- Private Activity Bonds

Overview: Most transit $ still comes from fares, sales taxes and local dedicated funds

Local and Regional Public Transportation Sources for Urbanized Areas with Population Over 200,000 (2005)



Source: National Transit Database, 2005, from Transit Cooperative Research Program. TCRP Report 129: Local and Regional Funding Mechanisms for Public Transportation. Washington, D.C.: Transportation Research Board, 2009.

Parking: Offers monetization and improvement opportunities; if planned right

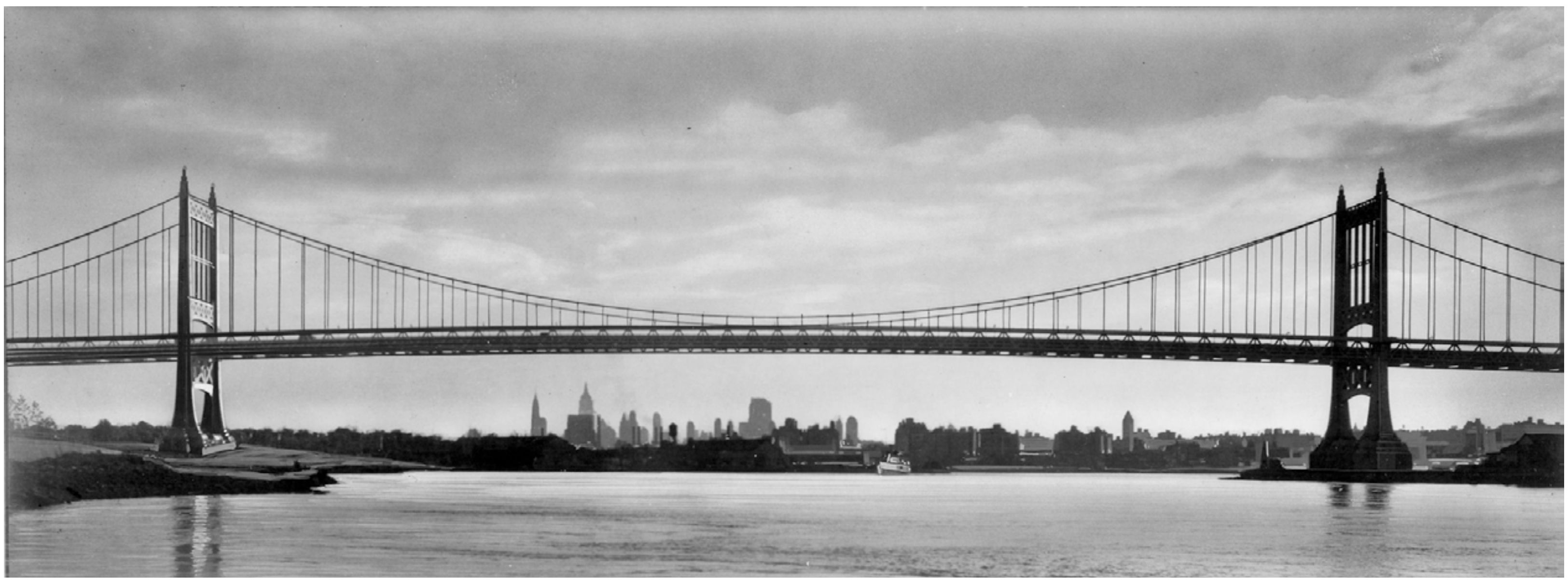
- Parking monetization attractive due to stable cash flows, performance improvement upside (technology, new rates and revenues, higher utilization), limited public attachment
- Investors provide upfront payments to operate and collect revenues up to 99 years
- Value depends on local market, ability to raise rates, operational efficiency, facility conditions
- Recent deals completed at 30x system earnings:
  - Chicago (2006): 9,000 spaces, 99-year lease, $563 M
  - Minneapolis (2007): 6,800 spaces, $60 M
- Need to ensure that facility does not "crowd out" retail, housing

Naming Rights: Put your name on this car, train, station . . . corridor

- Greater Cleveland Regional Transit Authority (GCRTA) sought ways to help pay for $193 M bus rapid transit line
- Cleveland Clinic and University Hospitals will pay $6.25 M over 25 year period to name the nine-mile route the “HealthLine”
- Logo will appear on route’s 21 vehicles, 62 stations, schedules & promotions

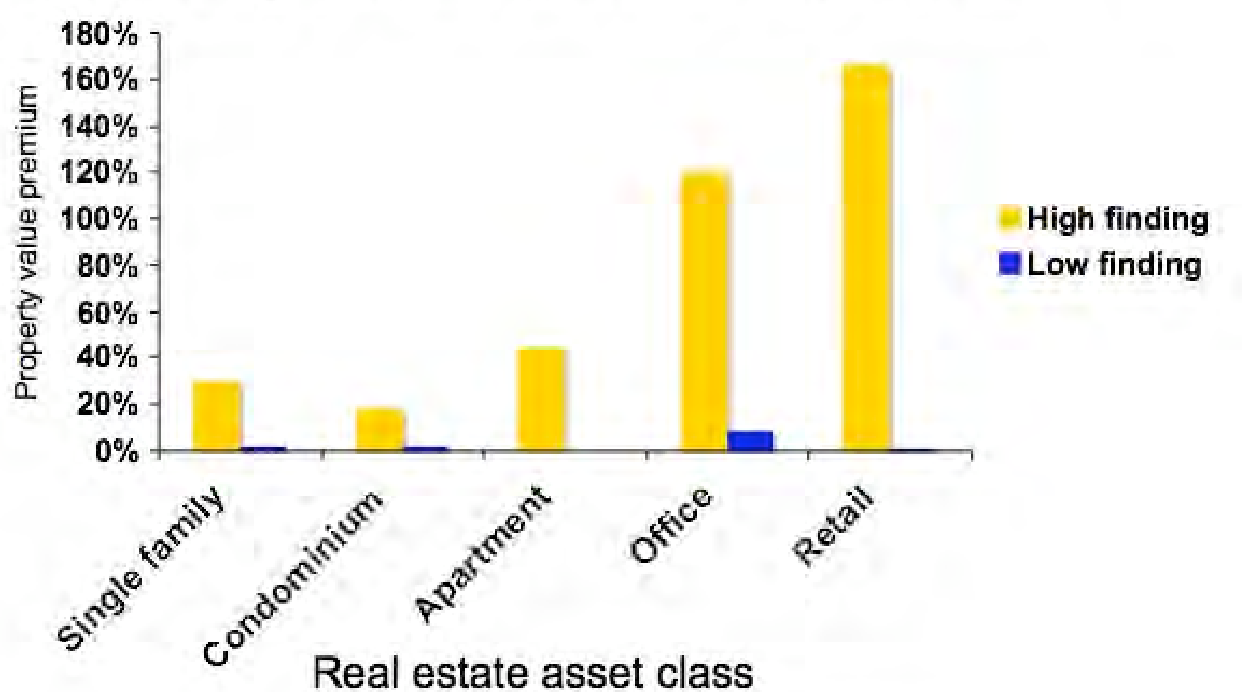
Toll Roads: Help your local toll authority relieve its carbon footprint guilt

- New York's Triborough and Bridge Authority, MWAA's Dulles Toll Road and San Francisco toll bridges all cross-subsidize transit
- Also mechanism to impose congestion pricing and reduce emissions



Transit-Oriented Development: Thar's value in them thar high-rises--especially in office, retail

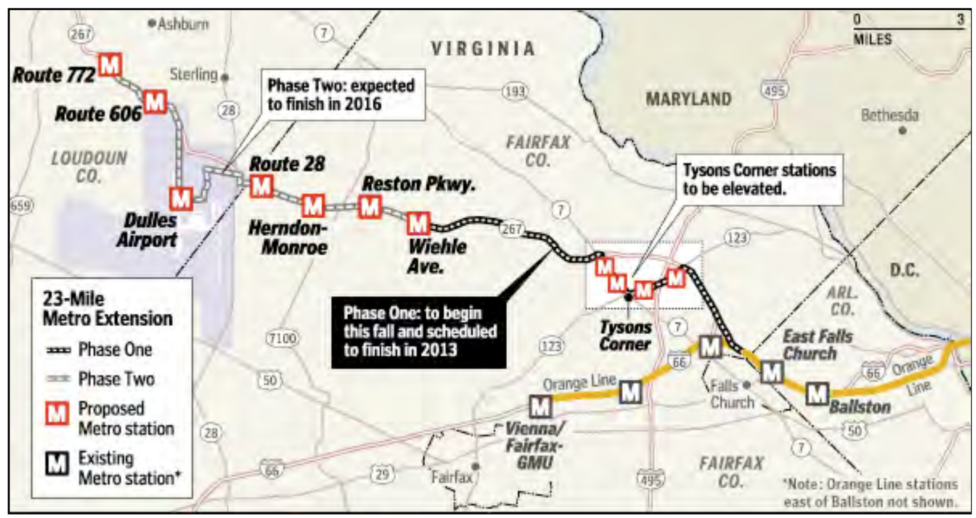
Land Price Premiums Near Transit



Nadine Fogarty. Capturing the Value of Transit. Washington, D.C.: Federal Transit Administration, 2008.

BADs (Benefit Assessment Districts): GOOD idea to capture transit value

- Often consists of a tax on commercial real estate around a station or corridor that requires approval of local property owners
- The Washington Metropolitan Area Transit Authority (WMATA), local governments and the Metropolitan Washington Airports Authority (MWAA) are working together to construct a 23.1 mile transit system
- Phase I \$2.6 B funding will come from approximately \$900 M in Federal funds, up to \$400 M from commercial property special tax districts (around 15%), and \$75 M from the state and the remainder from Dulles Toll Road revenues
- Phase II funding is expected from special tax districts and Dulles Toll Road revenues



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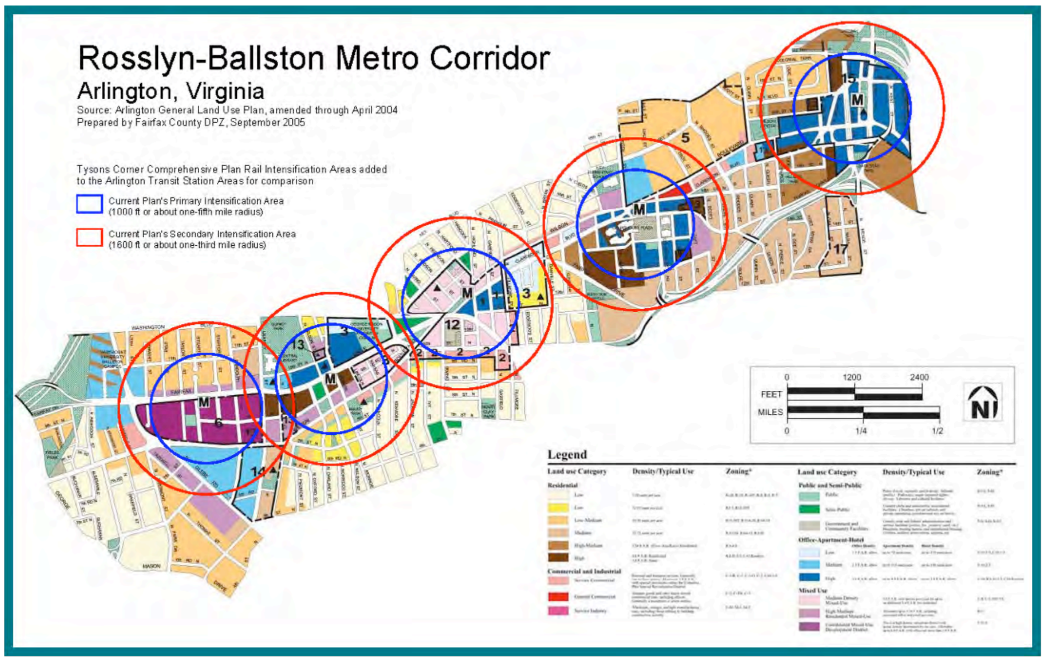
Joint-Development: Invest with land and receive a handsome return

- In 1960s Arlington County placed metro line stations beneath the Rosslyn-Ballston corridor instead of in the center of I-66 or on existing railroad tracks that would not be conducive to commercial development
- Corridor has become destination & considered one of US' TOD success stories



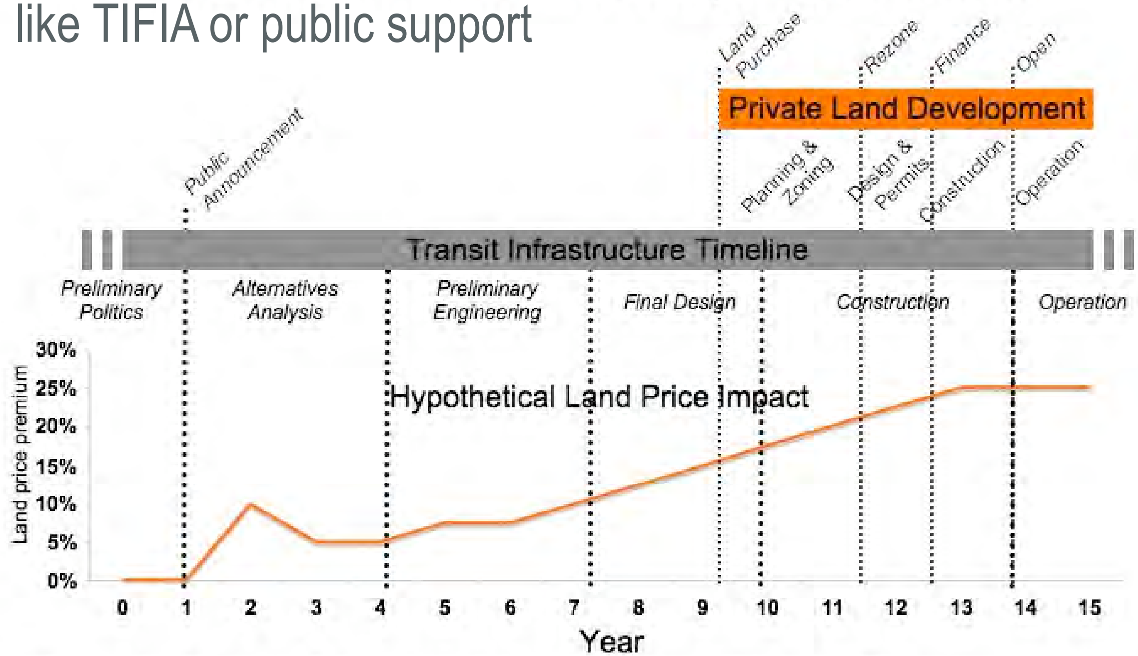
- 39% of Metrorail corridor residents commuting to work by public transit
- Since 1960, over 31 M sq ft office space & 30,000 housing units built in County, 3/4 of which in corridor
- Metrorail benefits from increased ridership and property payments

Retail: = customer service, ≠ cleanliness, = /≠ transit $ surplus

- Providing retail such as banks, food & beverage (F&B), newsstands, convenience stores, florists, child care, dry cleaners, hair salon, shoe repair, copy shops, overnight delivery, health clubs, grocery stores enhances customer service
- Yet, F&B conflicts with cleanliness goals
- Tough to make retail a success, as Miami's Dadeland South Station has (picture)

Timing: Transit funding and timing gap creates challenges for TODs

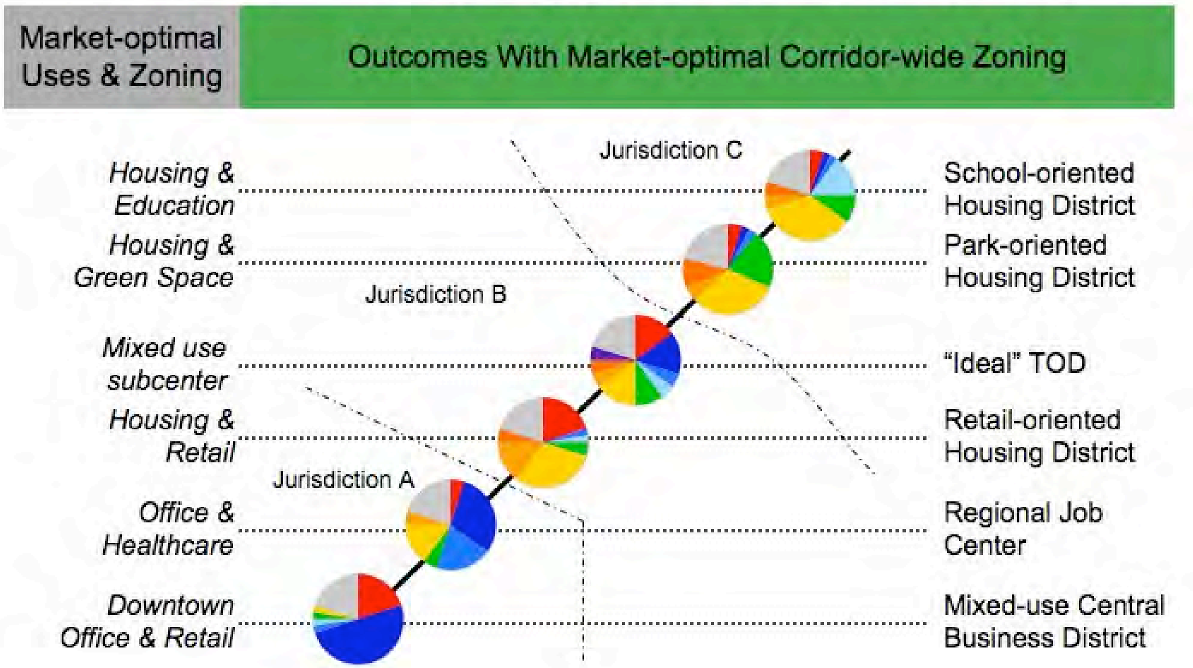
- Often timing mismatch between facility construction and rise in property values
- Financing may be able to bridge some of gap
- However, construction can easily take 5-10 years & real markets have significant down cycles of 5+ years, so this can only be funded/financed with innovative finance, like TIFIA or public support



Source: Emerson, Donald; "Successfully Navitaging the FTA New Starts rocess"; PB Consulting in Fleissig

Corridor Focus: P3 the entire line, not just each station

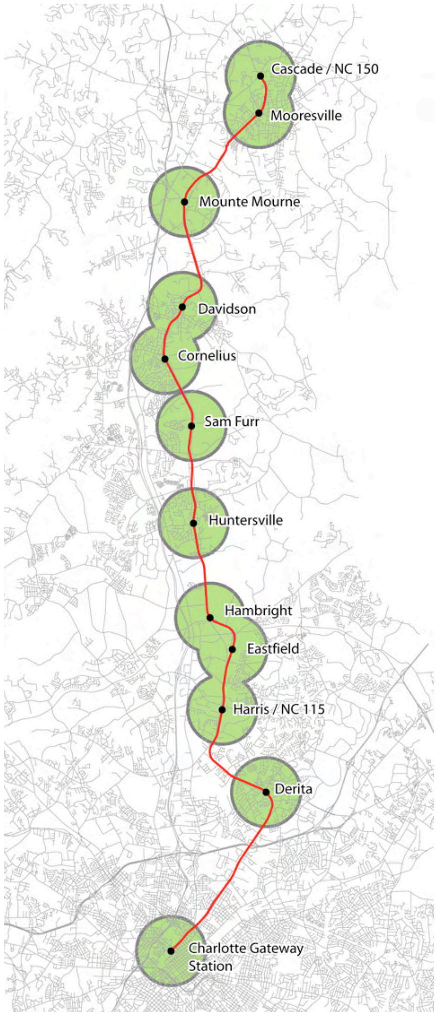
- TOD developer Fleissig believes planners need to combine transit and real estate development into a highly coordinated process at "corridor scale"



Source: William Kohn Fleissig and Ian R. Carlton. "Aligning Transit And Real Estate: An Integrated Financial Strategy" in Convening on Transit Oriented Development The Investment/Finance Perspective. Boston: Center for Transit Oriented Development (CTOD), Living Cities Boston College Institute for Responsible Investment, February 2009

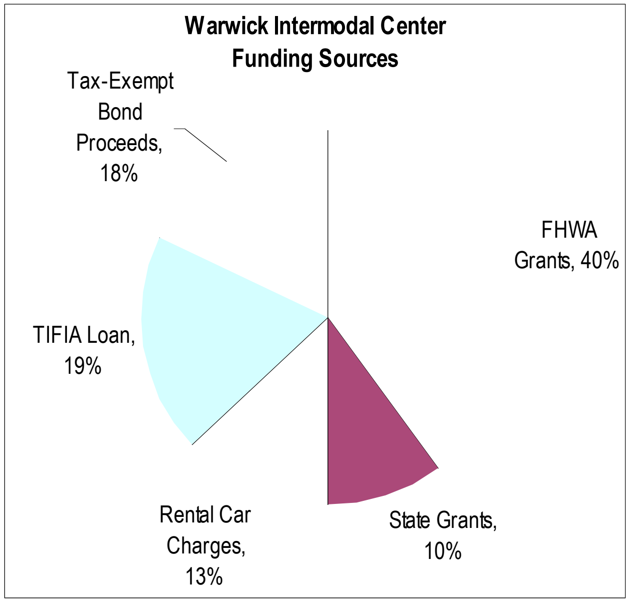
Corridor Focus: P3 the entire line, not just each station (cont'd)

- Coordination issues include:
  - Align route with existing and future destinations
  - Locate stations as part of larger development plan
  - Manage integration of planning, engineering and funding
  - Facilitate P3 for value capture
  - Execute inter-governmental agreements to balance benefits and burdens along corridor
  - Acquire key parcels that are essential for TOD implementation
  - Allocate uses and entitle station areas across entire length of corridor
  - Extend corridor mobility with frequent shuttles
- As Charlotte is attempting on its North Corridor Commuter Rail line (figure)



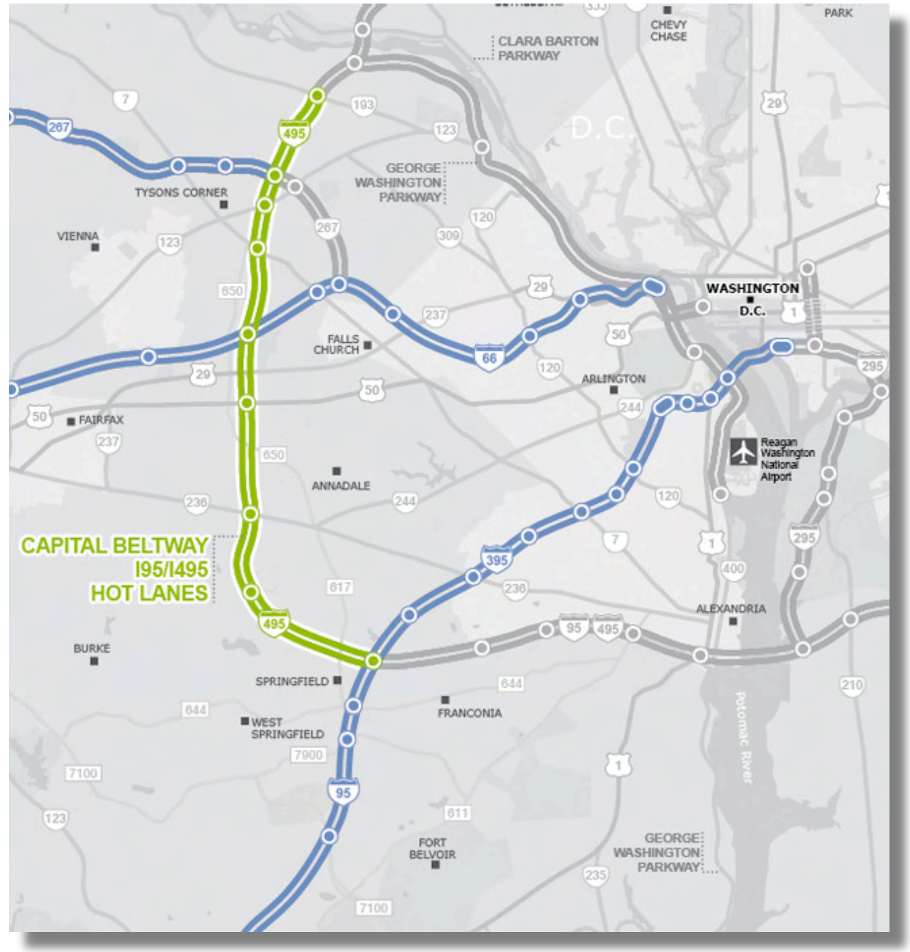
TIFIA: Supported the Warwick Intermodal Facility and other transit/rail projects in Miami, San Juan & Reno

- $200 M facility for rental car, parking, commuter rail, bus station and future Amtrak facility
- Located on former superfund site, with opportunities for future office, hotel and other real estate growth
- Funded with rental car charges, other facility fees, federal and state grants

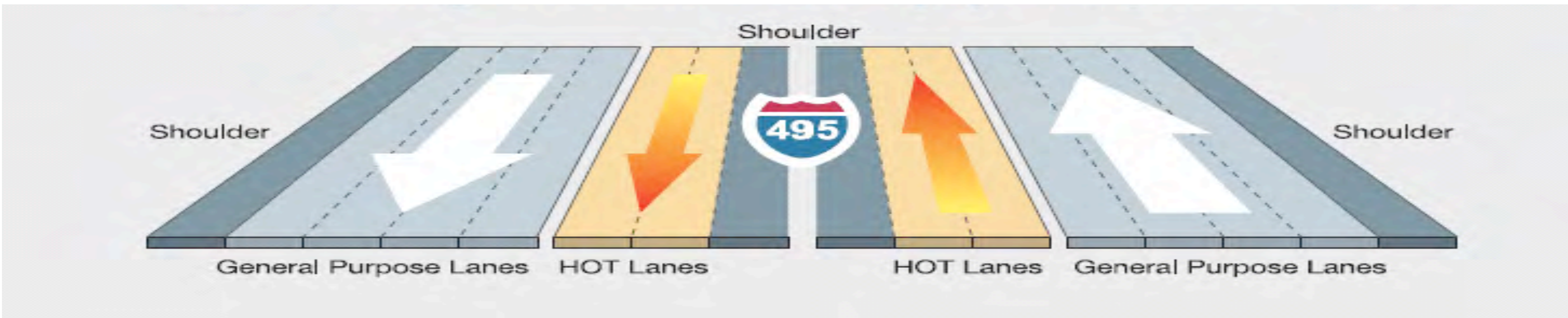


TIFIA: Capital Beltway illustrates how TIFIA, equity, PABs and grants can yield innovative financing

- Transurban/Fluor signed 80-year contract with VDOT to design, build, finance and operate 14-mile Capital Beltway in northern VA for 80 years, utilizing innovative **congestion pricing**
- Shows use of **TIFIA or innovative finance/ subordinate lending**
- Illustrates role of **private equity** and **private activity bonds (PABs)** in P3 financing



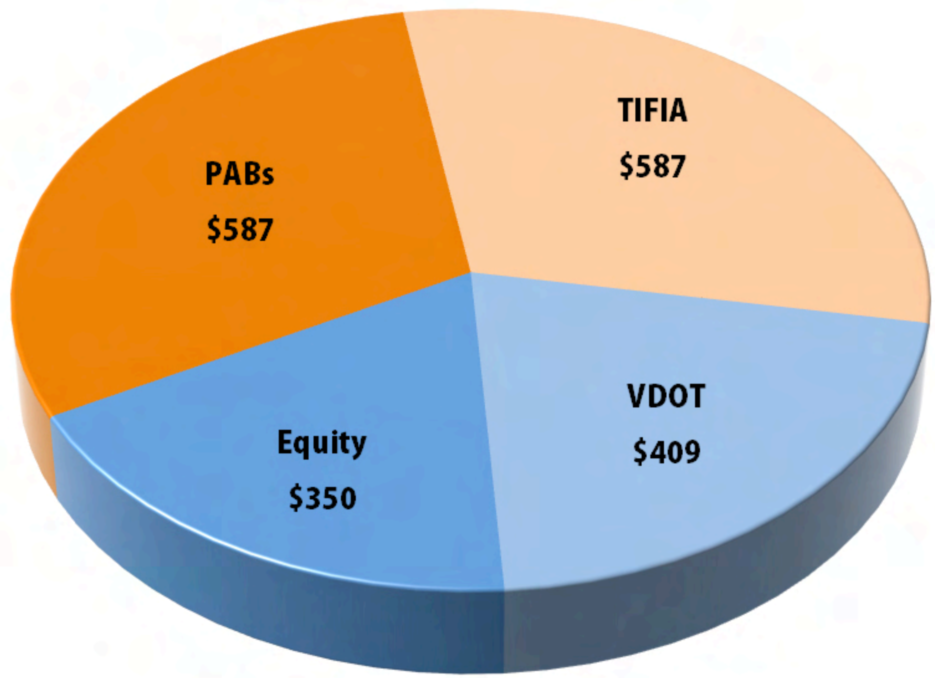
TIFIA: VDOT has transferred significant construction risk to private parties



- (Re)construction of 12 lanes and 50 bridges
- Design-Build Contract provides for a **firm, fixed-price, lump sum, not subject to adjustment**
- Fluor Corporation has provided a **guaranty** for all of the design-build contractor's obligations
- **Liquidated delay damages** will be payable by the Design-Build Contractor for failure to achieve completion deadlines
- Flour is paid **bonus** if project completed six months prior to original Completion Date in amount equal to 50% of net toll revenues collected

TIFIA: Funding was a combination of public and private sources and innovative finance tools

- Private Activity Bonds: benchmark of 3.6% for 20 years + margin of 1.75% for 7 years (5.35%); total 40 years
- TIFIA: 4.45%, 40 years, < than 25% of interest paid can cause default
- PABs & TIFIA: no principal repayment, first 25 years
- Equity should be able to yield a return of 13%



Source: "Capital Beltway," Investor Briefing, Transurban, December 21, 2007, http://www.transurban.com.au/transurban_online/tu_nav_black.nsf/alltitle/investors-presentations-2007?open, and

Source: "Strength and Stability," Interim Results, Transurban, 20 February, 2008, http://www.transurban.com.au/transurban_online/tu_nav_black.nsf/alltitle/investors-presentations-2008

TIFIA: Allowed 5 years interest capitalization (CAPI) plus 15 years current interest only

Year	Toll Revenues[1]	Interest Revenues and Other Revenues[2]	Operating Expenses	Capital Expenditures and Major Maintenance Expenses[3]	Net Cash Movement from Reserves[4]	Net Cash Flow Available for Debt Service	Balance in the Ramp-up Reserve	Total Senior Debt Service[5]	Senior DSCR[6]	Total TIFIA Interest Payable	TIFIA Repayment	Total DSCR[7]
2013	$54,663,279	$5,487,078	($31,329,034)	($13,415,187)	$13,415,187	$28,821,323	$30,000,000	$22,984,968	2.56x	$ —	$ —	2.56x
2014	80,818,538	9,174,306	(29,318,952)	—	0	60,673,891	29,142,650	30,166,044	2.98x	—	—	2.98x
2015	99,228,196	8,257,753	(30,597,423)	—	(1,477,532)	75,410,994	29,142,650	30,166,044	2.50x	—	—	2.50x
2016	106,934,276	7,418,797	(32,044,048)	—	(3,771,857)	78,537,169	29,142,650	30,108,780	2.61x	—	—	2.61x
2017	111,598,796	6,717,127	(33,159,900)	—	(9,051,152)	76,104,871	29,142,650	30,166,044	2.52x	—	—	2.52x
2018	116,467,064	5,480,946	(34,315,733)	(4,433,039)	(7,257,707)	75,941,531	—	30,166,044	2.52x	28,990,914	—	1.28x
2019	121,547,710	5,680,066	(35,513,029)	(25,740,155)	8,448,075	74,422,668	—	30,166,044	2.47x	28,990,914	—	1.26x
2020	128,031,182	5,435,493	(36,873,628)	(15,838,141)	614,640	81,369,546	—	30,108,780	2.70x	28,990,914	—	1.38x
2021	133,498,850	5,467,671	(38,159,009)	(11,488,372)	(193,062)	89,126,079	—	30,166,044	2.95x	28,990,914	—	1.51x
2022	139,200,376	5,353,345	(39,490,427)	(24,086,230)	15,430,661	96,407,724	—	30,166,044	3.20x	28,990,914	—	1.63x
2023	145,145,499	4,916,975	(40,869,590)	(9,080,136)	(2,685,796)	97,426,952	—	30,166,044	3.23x	28,990,914	—	1.65x
2024	151,346,071	5,298,222	(42,298,304)	(913,861)	(20,893,704)	92,538,424	—	30,108,780	3.07x	28,990,914	—	1.57x
2025	157,809,254	6,135,065	(43,778,276)	(14,977,808)	(6,541,161)	98,647,074	—	30,166,044	3.27x	28,990,914	—	1.67x
2026	164,549,500	6,439,433	(45,311,546)	(18,378,916)	(2,103,290)	105,195,181	—	30,166,044	3.49x	28,990,914	—	1.78x
2027	171,576,506	6,481,484	(46,900,028)	(31,000,506)	8,049,387	108,206,845	—	30,166,044	3.59x	28,990,914	—	1.83x
2028	178,906,006	6,473,028	(48,545,861)	(14,072,586)	(17,817,510)	104,943,077	—	31,036,482	3.38x	28,990,914	—	1.75x
2029	186,546,715	7,452,110	(50,251,099)	(15,224,680)	(27,660,526)	100,862,520	—	31,764,001	3.18x	28,990,914	—	1.66x
2030	194,513,534	8,375,659	(52,017,971)	(38,371,782)	6,945,864	119,445,304	—	31,764,001	3.76x	28,990,914	—	1.97x
2031	202,820,013	8,023,070	(53,847,072)	(40,848,974)	16,728,466	132,875,502	—	31,764,001	4.18x	28,990,914	—	2.19x
2032	211,482,421	7,237,002	(55,740,567)	(48,161,945)	26,037,912	140,854,823	—	31,706,737	4.44x	28,990,914	—	2.32x
2033	220,515,617	6,924,257	(57,700,757)	(3,943,647)	(43,608,005)	122,187,465	—	31,764,001	3.85x	28,846,026	12,552,962	1.67x
2034	229,935,059	9,126,632	(59,730,027)	(18,881,833)	(58,062,197)	102,387,633	—	31,764,001	3.22x	28,432,307	—	1.70x
2035	239,754,455	11,515,018	(61,830,678)	(42,137,037)	(31,029,013)	116,272,744	—	31,764,001	3.66x	28,375,049	4,437,779	1.80x
2036	249,887,283	12,295,915	(63,888,082)	(80,179,781)	30,794,241	148,909,576	—	31,706,737	4.70x	27,832,297	35,025,941	1.57x
2037	260,341,814	10,344,558	(66,012,069)	(107,009,159)	88,697,546	186,362,690	—	31,764,001	5.87x	26,060,764	55,363,800	1.65x
2038	271,126,588	7,308,913	(68,204,756)	(30,737,175)	11,557,790	191,051,359	—	49,195,218	3.88x	23,719,059	44,285,541	1.63x
2039	282,250,425	7,213,995	(70,468,331)	(8,855,674)	(18,199,239)	191,941,176	—	48,242,298	3.98x	21,726,430	46,278,170	1.65x
2040	293,722,431	8,077,309	(72,805,051)	(13,751,172)	(13,908,187)	201,335,530	—	53,046,779	3.80x	19,646,234	48,358,366	1.66x
2041	305,552,009	8,463,226	(75,217,249)	(33,295,972)	16,010,119	221,512,133	—	75,070,847	2.95x	17,468,256	50,536,344	1.55x
2042	317,748,868	7,731,105	(77,707,330)	(32,430,167)	25,935,579	241,278,054	—	89,960,945	2.68x	15,194,372	52,810,228	1.53x
2043	330,323,032	6,799,269	(80,277,780)	(15,504,154)	14,158,418	255,498,784	—	103,898,122	2.46x	12,818,174	55,186,426	1.49x
2044	343,284,851	6,503,012	(82,931,164)	(2,116,185)	(6,691,219)	258,049,295	—	99,421,401	2.60x	10,337,148	57,667,452	1.54x
2045	356,645,010	7,086,816	(85,670,131)	—	(22,109,792)	255,951,903	—	95,004,202	2.69x	7,740,310	60,264,290	1.57x
2046	370,414,540	8,295,951	(88,497,416)	—	(31,049,015)	259,164,059	—	93,422,648	2.77x	5,028,717	62,975,883	1.61x
2047	384,604,826	9,685,660	(91,415,842)	(24,442,071)	(18,998,979)	258,433,593	—	88,816,868	2.91x	2,195,115	65,738,029	1.65x
Total	$7,312,790,595	$258,676,466	($1,922,718,163)	($739,316,346)	($61,285,057)	$4,848,147,496		$1,558,015,074		$710,283,967	$651,481,212	

1 Toll Revenues are in nominal dollars. Real dollars are converted to nominal dollars using a rate of inflation of three percent per annum (See Attachment 1 to Appendix J).
2 "Other Revenues" include revenue from fines paid by violators.
3 Including Project Costs as defined in the Master Indenture of Trust, during the first three months of 2013.
4 Including movements to and from (i) the Major Maintenance Reserve Fund, (ii) the Capital Expenditure Reserve Fund, (iii) the O&M Reserve Fund, (iv) the Ramp-Up Reserve Fund, and (v) the Construction Fund for the first three months of 2013.
5 Net of Senior Interest paid from monies withdrawn from the Construction Fund during the first three months of 2013. Credit Enhancement is assumed to be in place at same cost during the term of the Bonds.
6 Per the Master Indenture of Trust, the Balance of the Ramp-up Reserve at the beginning of the Calculation Period is included in the numerator of the DSCR during two years.
7 Per the Master Indenture of Trust, the Total Debt Service Coverage Ratio excludes TIFIA Scheduled Debt Service. The ratios presented in this table include both Mandatory and Scheduled TIFIA Debt Service.

TIFIA: Flow of funds generally reflected the risk-return calculus of each funding source

Gross Revenues

O&M Costs**

Capital Expenditures

Senior Interest

Senior Principal

Debt Service Reserves

TIFIA Mandatory Debt Service

Funding of Major Maintenance Reserve

TIFIA Scheduled Debt Service

Equity Distributions

*** Includes payments to VDOT in event of IRR in excess of 15%*

IMG Overview

- Headquartered in Washington, DC metro area
- Multi-disciplined team of 25 seasoned professionals with more than 150 years of infrastructure experience as department directors, city managers, facility operators and financial executives
- 200+ engagements for 100+ public and private sector agencies, authorities and investors
- $100+ B of deals across the infrastructure lifecycle - feasibility, development, construction, finance, upgrade and mature operations

- Experience across 22+ U.S. states, the Americas, Europe, Africa and Asia
- IMG Capital launched in January 2008 to serve as international investment division for investor advisory and buy-side origination

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