

Financing Transit PPPs

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September 17, 2009

Executive Summary

- P3 transactions are getting done, albeit with lower leverage and in some cases less traditional structures
- Pipeline of Transportation P3s is increasing for Greenfield projects or projects with Greenfield components
- Financing remains challenging, but opportunities exist
 - Bank Markets
 - PABs
 - TIFIA
 - Equity

US P3 Market Highlights

As of August 31, 2009

Port of Miami Tunnel

- The Miami Access Tunnel (MAT) consortium, comprised of Meridiam Infrastructure and Bouygues, is on schedule to reach financial close in October, with a debt package to be provided by up to eight banks
- MAT and the Florida Department of Transportation (FDOT) agreed to revive the \$1bn project and reached commercial close on June 2, 2009
- The consortium has agreed to maintain and operate the tunnel for 30 years, and will receive annual availability payments of \$33.2mm once it opens to traffic, subject to meeting performance standards
- The project involves a 30 year Design, Build, Finance, Maintain and Operate contract; concession will begin once construction and improvement works of the greenfield tunnel connecting Watson Island to the Port of Miami Dade are completed (5 year timeline)

North Tarrant Expressway

- Texas Attorney General Abbott approved Texas Transportation Department's 52-year contract with NTE Mobility Partners to build the North Tarrant Express, ending a prolonged legal dispute
- In June, Abbot claimed that the agreement violated state constitution by committing state highway funds for more than two years
- The \$2bn project includes new toll and non-toll lanes on Northeast Loop 820, Texas 121/183, and eventually Interstate 35W north of downtown Fort Worth; construction could begin next year
- NTE Mobility Partners comprises of Cintra (65%), Meridiam (25%), and the Dallas Police and Fire Pension System (10%)

US P3 Processes

As of August 31, 2009

Virginia Port Authority (Two additional bids received)

- On the July 27 bid deadline, VPA received two additional bids from Carlyle and Carrix/Goldman Sachs
- Carlyle's proposal for a 60-year concession offers an upfront cash payment of between \$500mm and \$700mm, as well as a profit-sharing arrangement; Carrix/Goldman Sachs offers an operational partnership stretching 30 years, with an upfront payment of \$250mm
- VPA rejected CenterPoint's post-deadline addition of GCT Global Container Terminals Inc. as a partner

Denver RTD FasTracks (RFP date set)

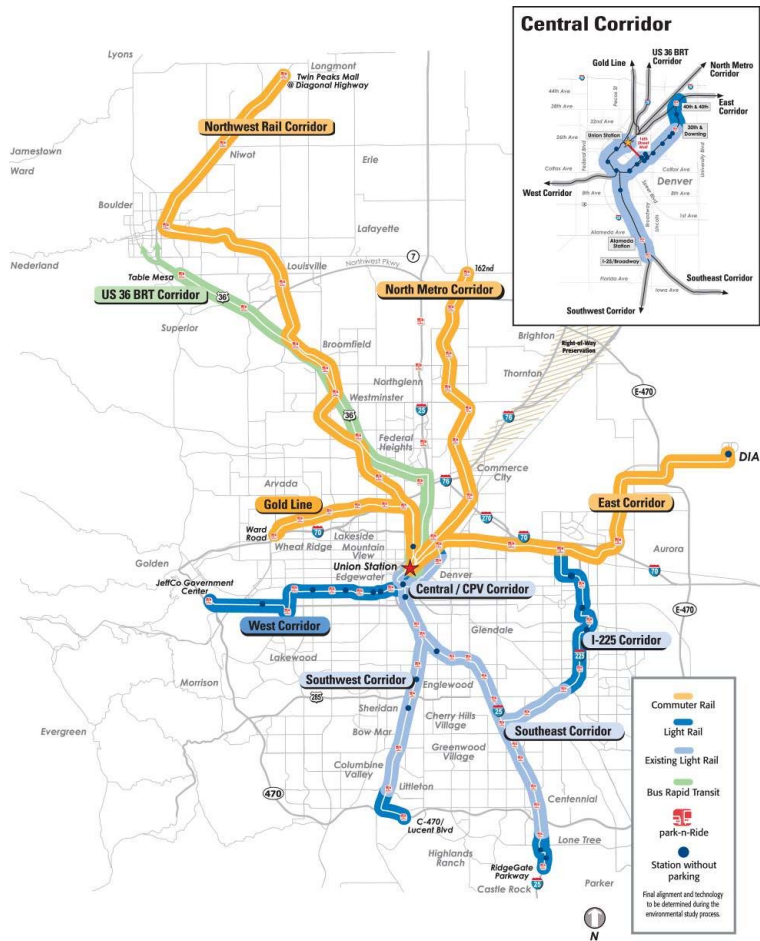
- RTD is to hold a public hearing on September 1 to discuss plans to issue an RFP for the Eagle P3 project.
- RTD plans to issue the RFP on September 30
- Urban Engineers and First Southwest's report on the project's financial plan claims that the RTD's revenue estimation is overly optimistic

Big Chino Water System (SOQ released)

- The City of Prescott, Arizona released a SOQ seeking financial, legal, and technical advisory services for the project's P3 procurement
- SOQ deadline is August 31
- RFQ is to be issued in January 2010
- The project covers the development of facilities to pump, convey, import, and deliver up to 12,000 acre-feet of water annually

Overview of Denver RTD FasTracks

FasTracks Map



Overview

- \$6.9 billion transit expansion in the Denver metro area
- Two lines and maintenance facility to be procured through P3
- Provides funding for expansion of mass transit system
 - 6 new rail corridors
 - 122 miles of new rail track (light rail and commuter rail)
 - 18 miles of bus rapid transit infrastructure
 - 57 new transit stations
 - 21,000 additional parking spaces
 - Expanded bus service in all areas
- Anticipated completion in 2017
- Draft RFP released to three shortlisted bidding teams

Eagle P3 Project Description

Eagle Project Details

- \$2.3bn PPP component of FasTracks
 - 46-year DBFOM contract
 - Concessionaire receives Service Payments for making the system available
- Three FasTracks components included
 - East Corridor
 - Gold Line Corridor
 - Commuter Rail Maintenance Facility

Eagle Project Timeline

Date	Milestone
Sep 2009	■ Release Final RFP
Mar 2009	■ Proposals Due
June 2010	■ Contract Award
Aug 2010	■ Financial Close

Shortlisted Bidding Teams

Denver Transit Partners	Mile High Transit	Mountain-Air Transit Partners
■ Flour Enterprises	■ John Laing	■ HSBC
■ Macquarie Capital Group	■ HOCHTIEF PPP Solutions	■ Siemens
■ Ames Construction	■ Bombardier	■ Veolia
■ Balfour Beatty Rail	■ Flatiron Corporation	■ Kiewit
■ Alternate Concepts	■ Archer-Western	■ Herzog
■ HDR Global Design Consultants	■ Aldridge Electric	■ Stacy and Witbeck
■ Arup	■ DMJM-Harris/AECOM	■ HNTB Corporation
■ GannettFlemming	■ CH2M-Hill	■ Mass. Electric Construction
■ Orrick, Herrington & Sutcliffe		■ Millibank, Tweek, Hadley & McCoy
■ Interfleet Technology		■ Citi
■ Romero and Wilson		■ Merrill Lynch

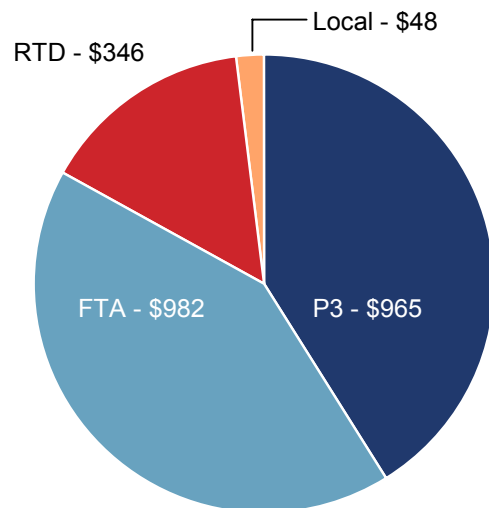
Eagle P3 Funding Sources and Uses

(\$ in millions)

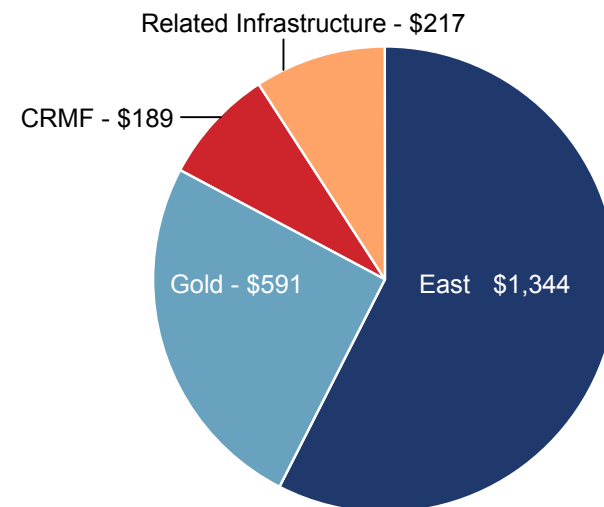
Financing Sources

- RTD contribution to include right of way acquisition, construction milestone payments and Service Payments to the Concessionaire over the 46-year term of operations
- RTD annual construction milestone payment schedule will generally reflect anticipated receipt of Federal grants
- Local contributions largely as payments in kind (property, waiver of permit fees, etc.)

Sources (\$2,340 mm)¹



Uses (\$2,340 mm)



¹ FTA sources include both New Starts as well as other federal grants.

Infrastructure Financing Options

- Financing markets continue to be stressed, but they are improving
 - Bank Market
 - Still very stressed
 - Showing signs of recovery (FL I-595)
 - Banks expressing preference for club deals of limited size
 - PABs
 - Benefiting from Federal Stimulus through repeal of AMT penalty
 - Build-America-Bonds have improved conditions in the tax-exempt markets
 - TIFIA
 - Continues to provide attractive financing
 - Recent stimulus has increased capacity for loans in the near term
 - Equity
 - Equity financing is available from a variety of sources
 - Sector-specific
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Infrastructure Financing Markets

As of August 31, 2009

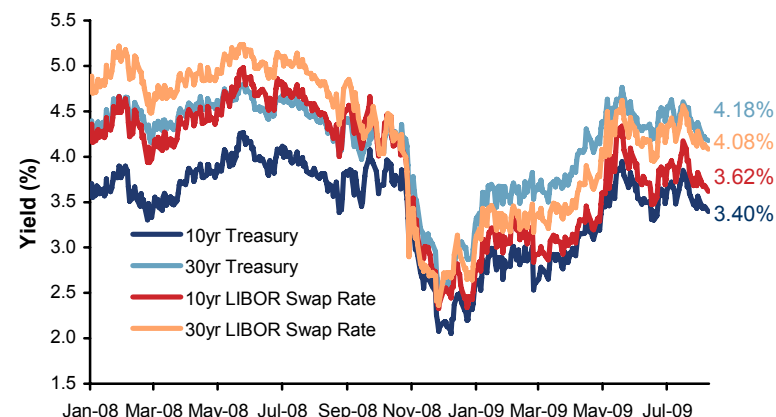
Leveraged Loan Market

- Primary activity was unsurprisingly quiet last week, with the lone transaction being an \$85M high yield add-on for Vector Group
 - Vector Group upsized its initial add-on by \$25M, bringing the total secured note tranche to \$250M
- Amendment activity in the loan space continued to push forward
 - During the past two months, amend-to-extend transactions have provided the majority of activity with 11 launches in July and August
- AMG reported an inflow of \$350.7mm to HY mutual funds last week, bringing the YTD figure to \$15.3 billion of inflows
 - The secondary market traded up over the prior week on light volume. Secondary bellwether names traded up ~0.75 pts on the week while CDX traded down ~1.25 pts to yield 843 bps (+42 bps)
- With end of August vacations in full effect, secondary markets were slow, characterized by light trading volumes

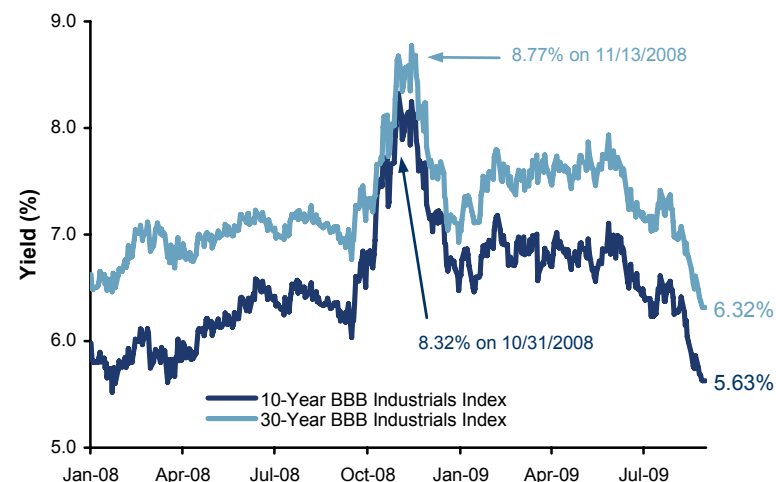
Capital Markets Update

- Credit markets opened with a mixed opening early last week with the IG12 last quoted at 115 (+0.5) and HVOL12 at 260 (-5)
- Despite a quiet end of summer, eleven deals priced in the Investment Grade market last week
 - Spectra Energy Capital (Baa2/BBB) priced \$300mm 10.5yr bonds at T+220bps
 - Duke Energy Corporation (Baa2/BBB+) priced \$500mm 5yr Notes at T+145bps and \$500mm 10yr Bonds at T+160bps
 - Dallas County Hospital District in Texas (NR/AAA) priced two tranches of Build America Bonds last week
 - \$217.49mm 25yr BABs priced at T+195bps
 - \$462.74mm 35yr BABs priced at T+140bps
- Credit markets closed the week a touch wide with the IG12 quotes at 115 (+1) and HVOL12 at 270 (+5)

UST and LIBOR Markets



Investment Grade Capital Markets¹



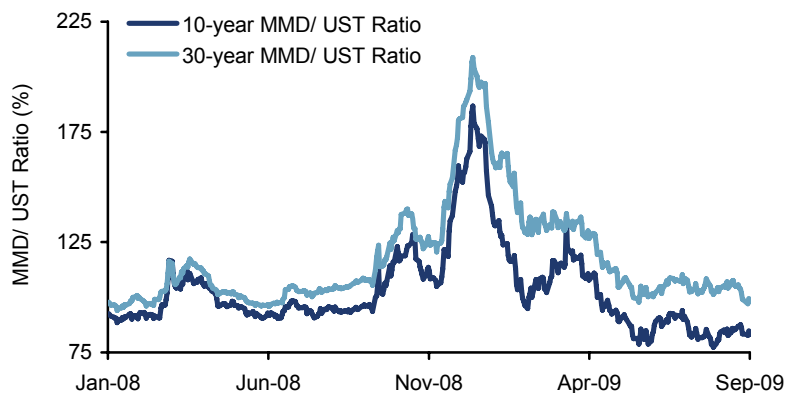
All information contained above, including any estimate, is derived from publicly available news and market sources, including Infra Americas & Bloomberg LP, and has not been independently verified by Goldman Sachs.
1. BBB Industrials Indexes are derived from a composite fair value curve of non-financial, non-utility BBB rated U.S. companies quoted in yield.

Private Activity Bonds are Becoming More Attractive

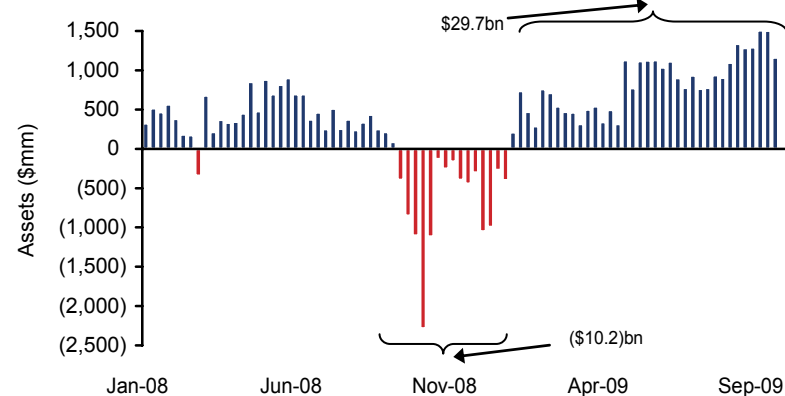
- \$15 billion currently authorized
 - However, \$589mm Capital Beltway is the only transaction yet to utilize PABs
- PABs have not seen widespread use in the current market for a variety of reasons
 - Lack of demand for BBB rated financings
 - Lack of demand for, and availability of, monoline insured financings
 - Lack of bank capacity to provide credit support
 - Dislocation between taxable and tax-exempt markets
- Recent changes to the market may make PABs a more attractive option
 - Removal of AMT penalty on PABs through 2010
 - Build America Bonds reducing dislocation between taxable and tax-exempt markets
 - Increasing risk appetite has increased demand for BBB rated financings

Market Conditions Have Improved in 2009, but Investors Remain Credit Sensitive

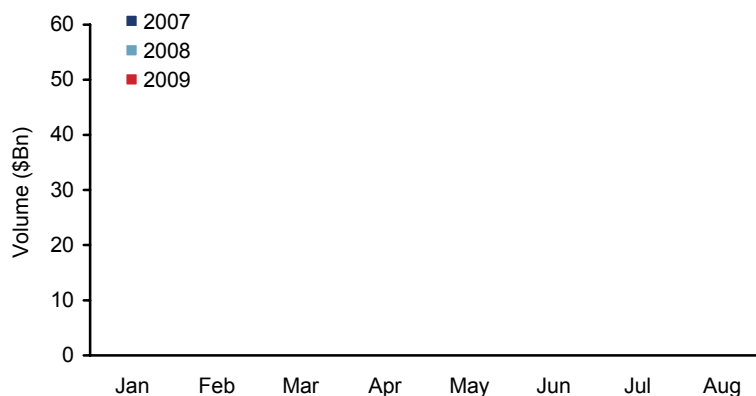
Taxable/ Tax-Exempt Ratios Have Improved



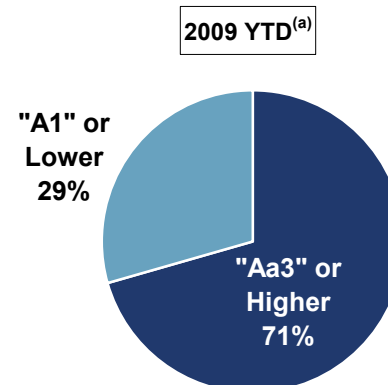
Asset Management Bond Flows are Positive Again



Market Volume Has Been Steady



Primary Market Issues Tend to be of Higher Credit

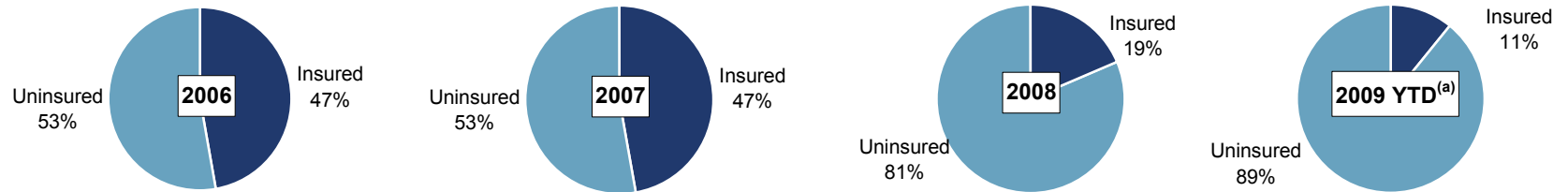


(a) As of August 31, 2009.

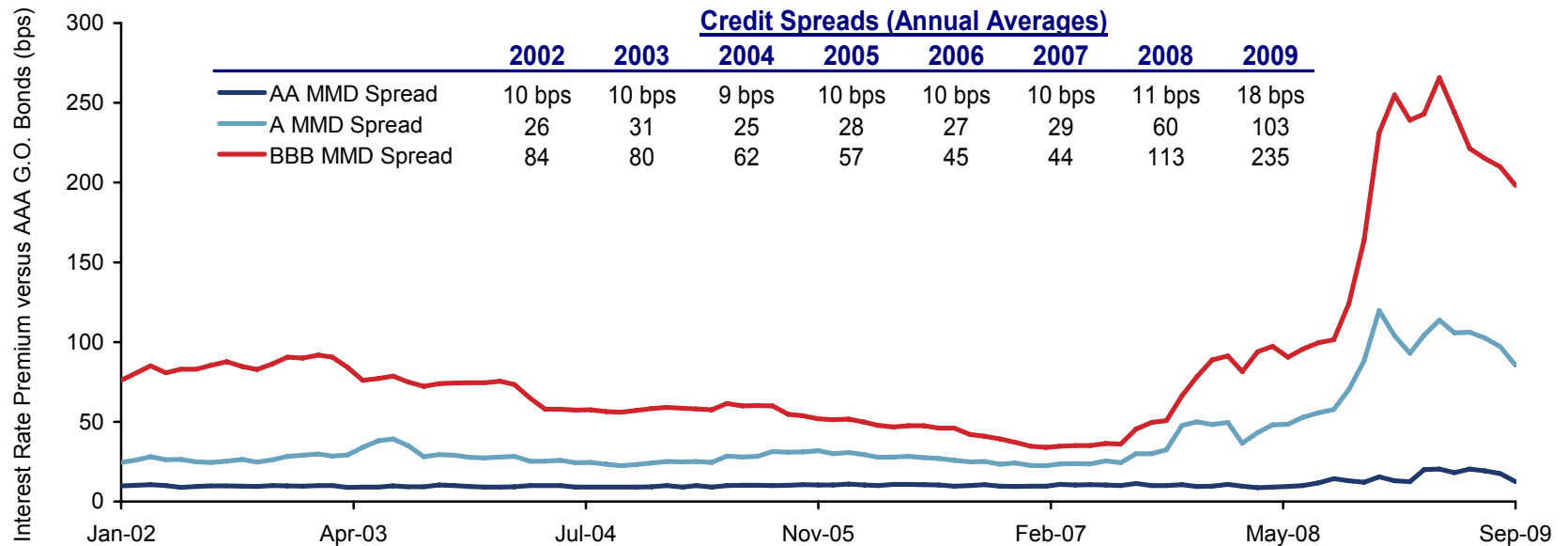
Source: Thomson Reuters.

Following Insurers' Credit Declines, Issuers' Credit has Become More Closely Scrutinized by Investors

Use of Insurance Declined Dramatically



20-year MMD Credit Spreads over AAA G.O. (Monthly Averages)



(a) As of August 31, 2009.

Source: Thomson Reuters.

TIFIA Overview

- Strategic goal
 - Leverage limited Federal resources and stimulate private capital investment in transportation infrastructure
 - Key objectives
 - Facilitate projects with significant public benefits
 - Encourage new revenue streams and private participation
 - Fill capital market gaps for secondary/subordinate capital
 - Major requirements
 - Large surface transportation projects
 - TIFIA contribution limited to 33 percent
 - Senior debt must be rated investment grade
 - 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
 - Project sponsors must submit proposals, including financial plans, to USDOT for consideration
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TIFIA Financing is Attractive in Today's Market

- Recent stimulus gave Secretary of Transportation ability to use \$200mm of discretionary funds to refill TIFIA
 - At 10% average subsidy, allows for an additional \$2bn in loans
 - Stimulus projects must meet 3-year spenddown rules
 - Flexibility to apply new allocation to previous projects, freeing up unencumbered capacity for projects that don't meet 3-year spenddown rules
 - Rulemaking on credit spreads no longer in effect
 - Current spreads between treasury rates and tax-exempt rates currently make TIFIA loans attractive when compared to municipal bonds
 - Provides for attractive amortization structure
 - TIFIA Bans
 - Can be drawn as late as 1 year after construction completion
 - Not for every issuer
 - Requires either federal funds in the project or for the project to go through federal environmental (NEPA) process
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Equity Financing

- Equity financing continues to be available for existing and new infrastructure assets
- Investors tend to segment by asset
 - Toll Roads and Car Parks
 - Airports
 - Maritime Ports
 - Transit
 - Social Infrastructure
- And are segmented by type
 - Strategic Investors
 - Financial Sponsors