



Generating Private Sector Financing

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ADVISORY

Generating Private Sector Financing

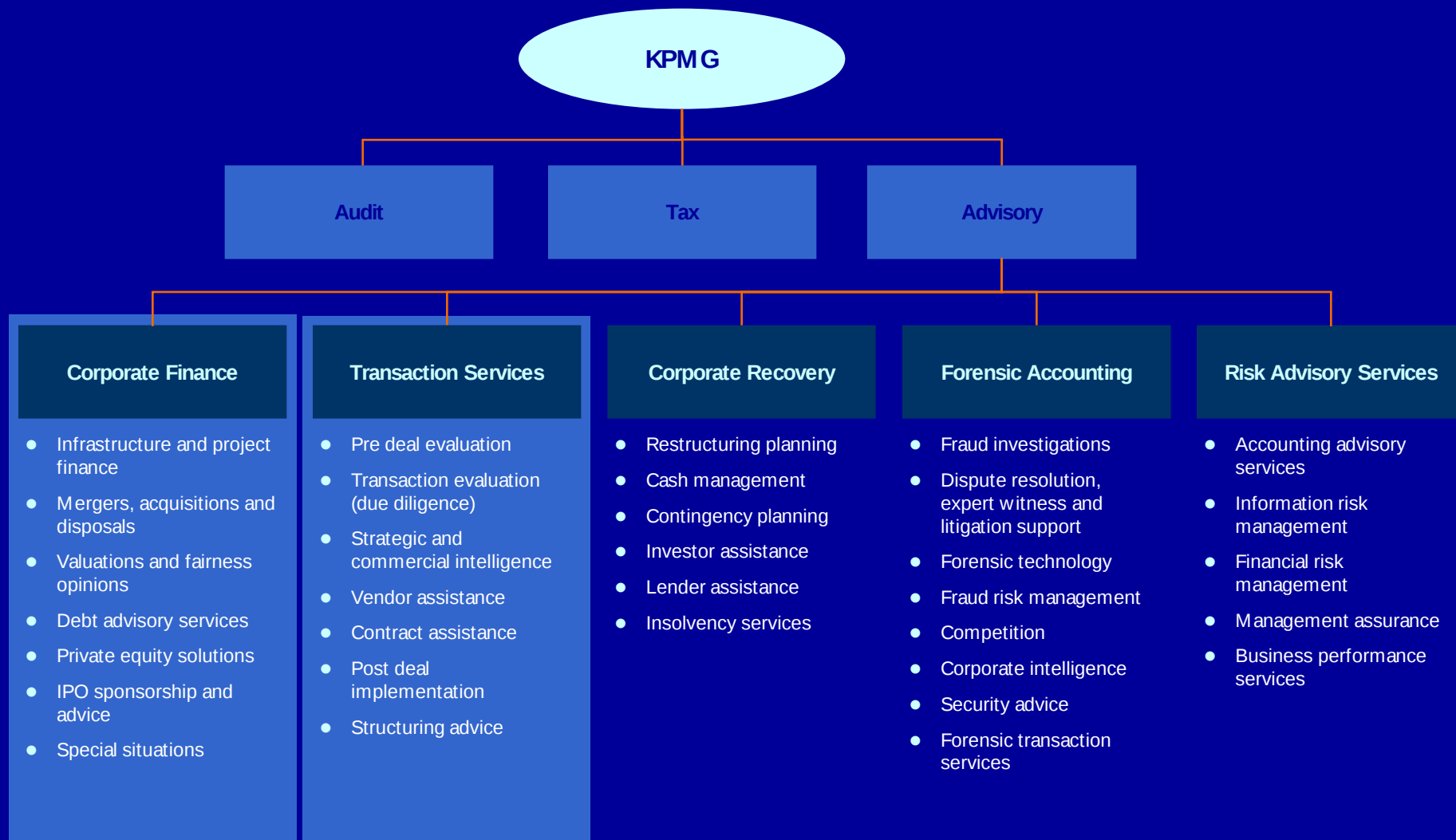
AGENDA

- KPM G Experience
- Current Market Trends
- Traditional Municipal Transit Funding
- Alternate Transit Funding
- Risks and Considerations
- Compare Funding Methods
- Case Studies

KPM G Experience

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KPM G's Global Infrastructure Team



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KPM G's Global Infrastructure Advisory Experience

The Infrastructure Practice vision

"Infrastructure development is one of the great global challenges of the 21st century. KPM G's Global Infrastructure and Projects Group aims to be acknowledged as the leading financial adviser responding to this challenge. We will be respected for a making a difference and for making deals happen."

Recent transactions

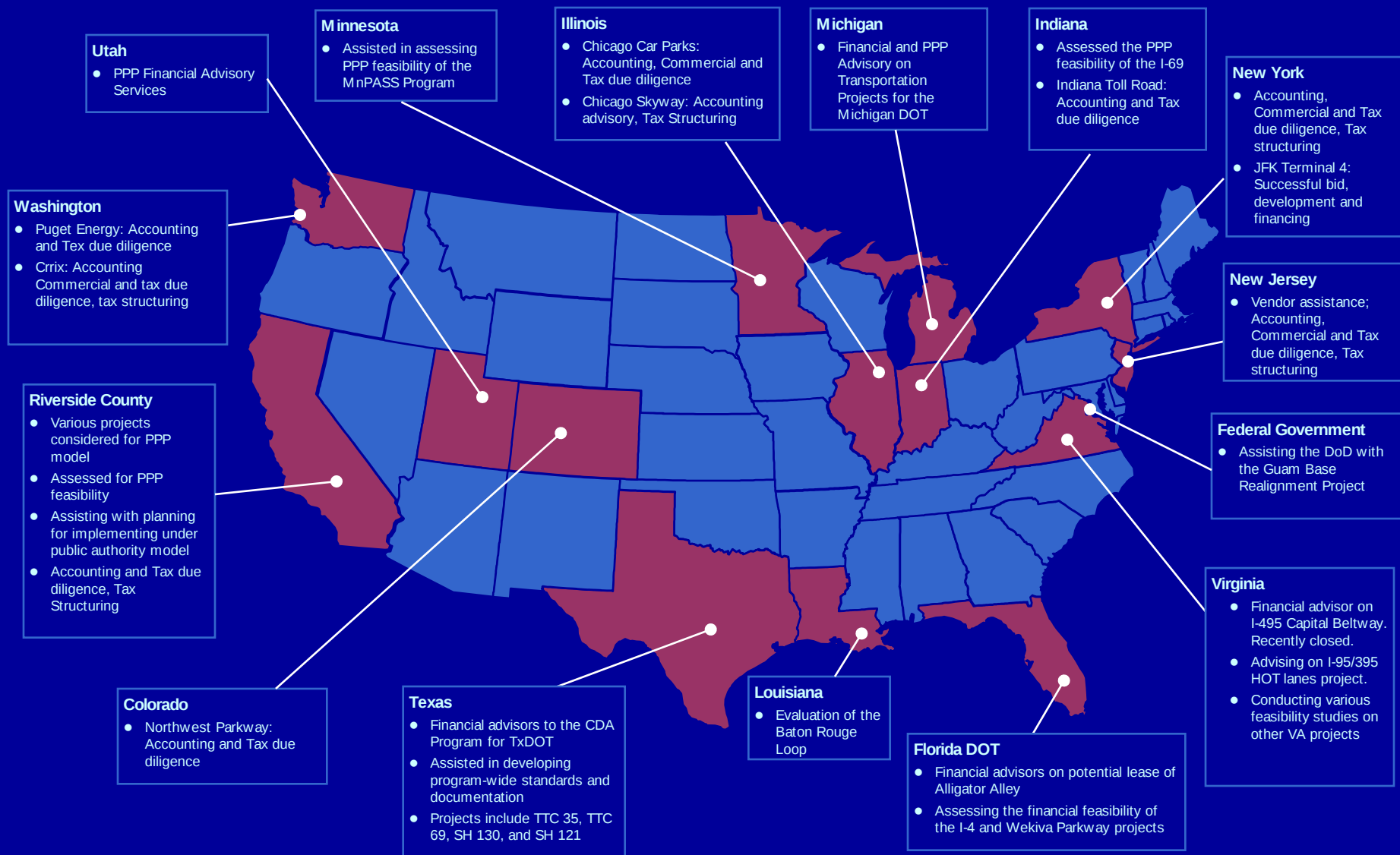
KPM G representatives have been involved in the following recent transactions.

**The Infrastructure Practice has
335 professionals in
40 countries**



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Our Infrastructure experience in the US



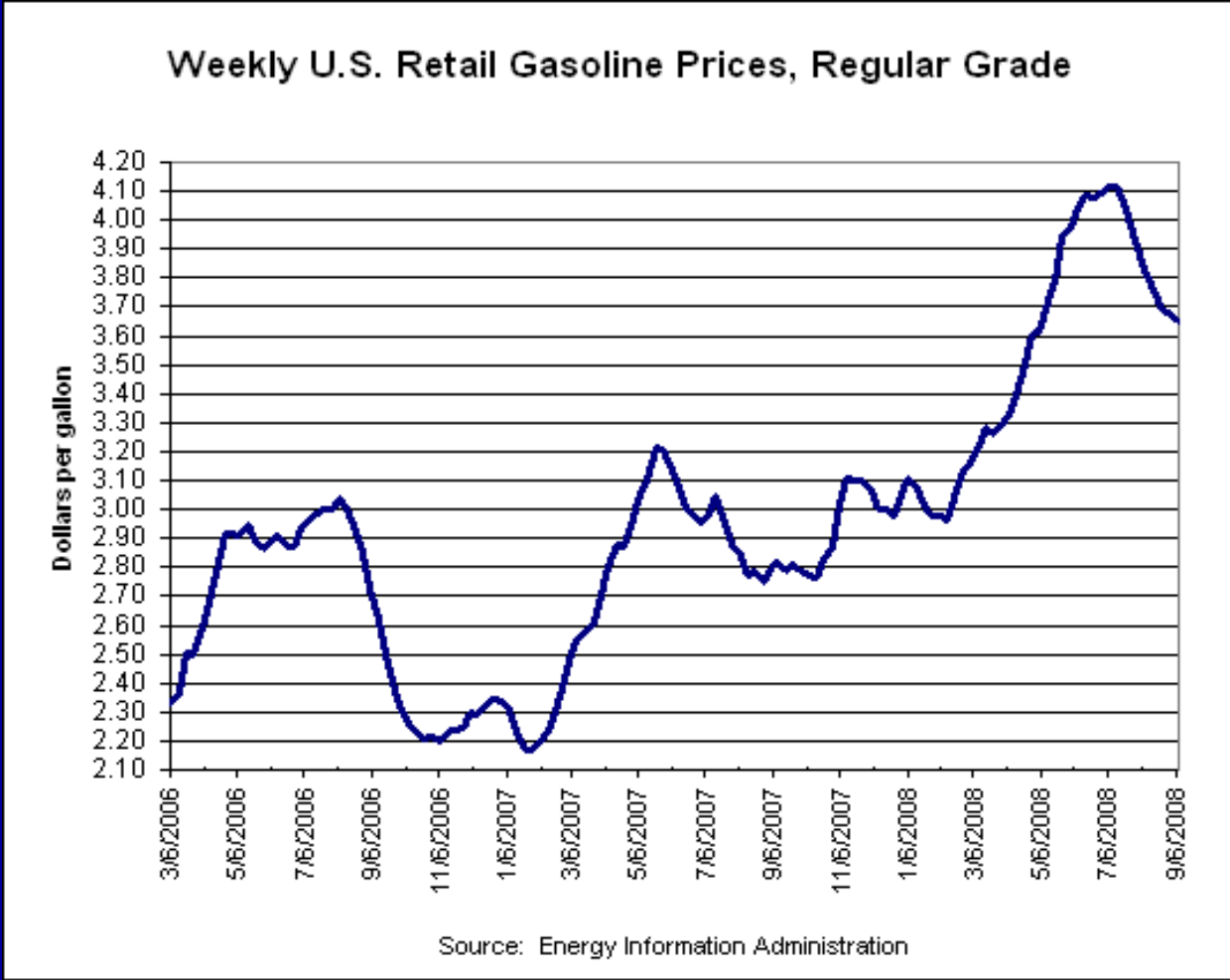
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KPM G's Transit Experience



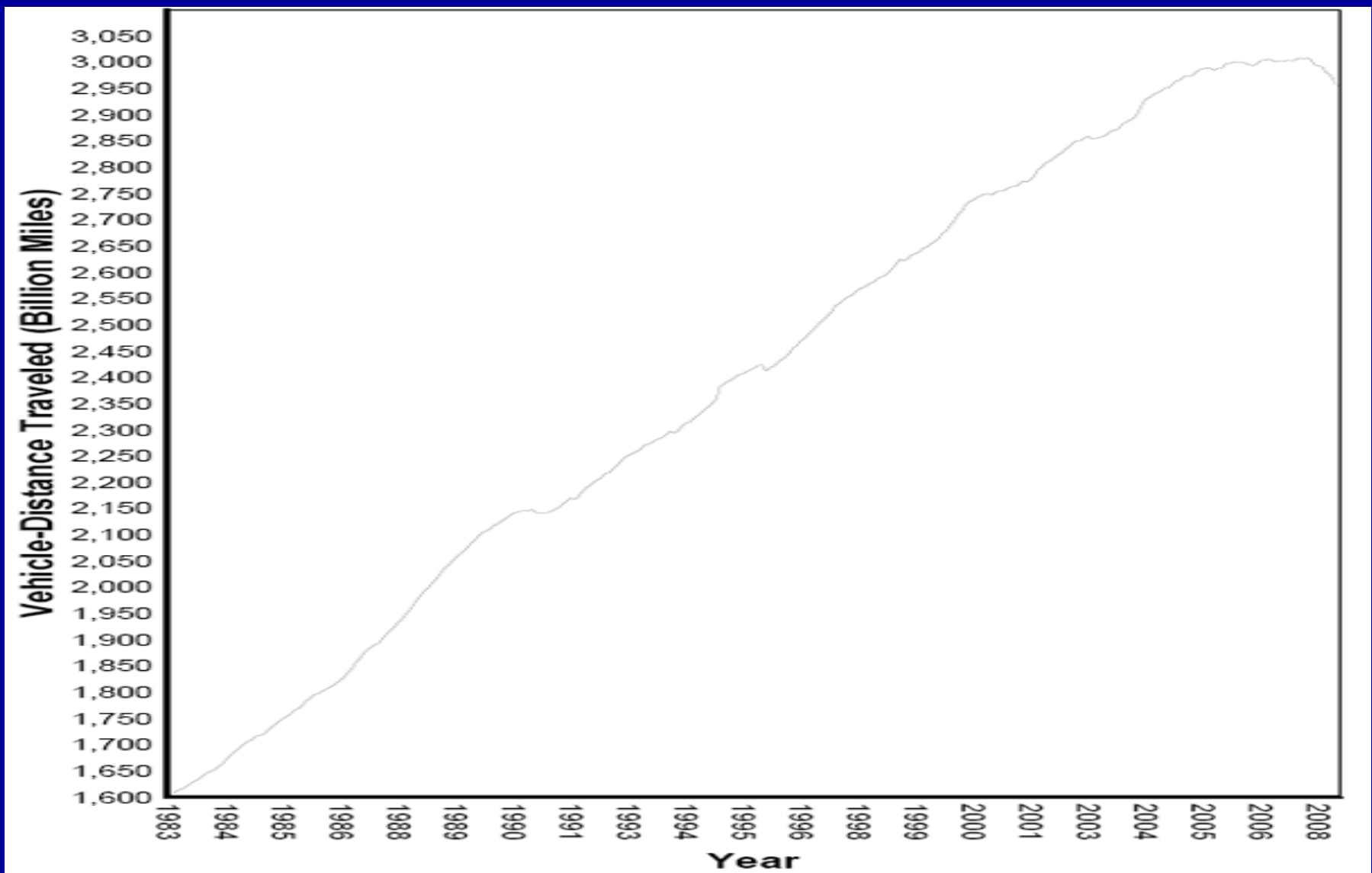
Current Market Trends

Average Price of Gasoline

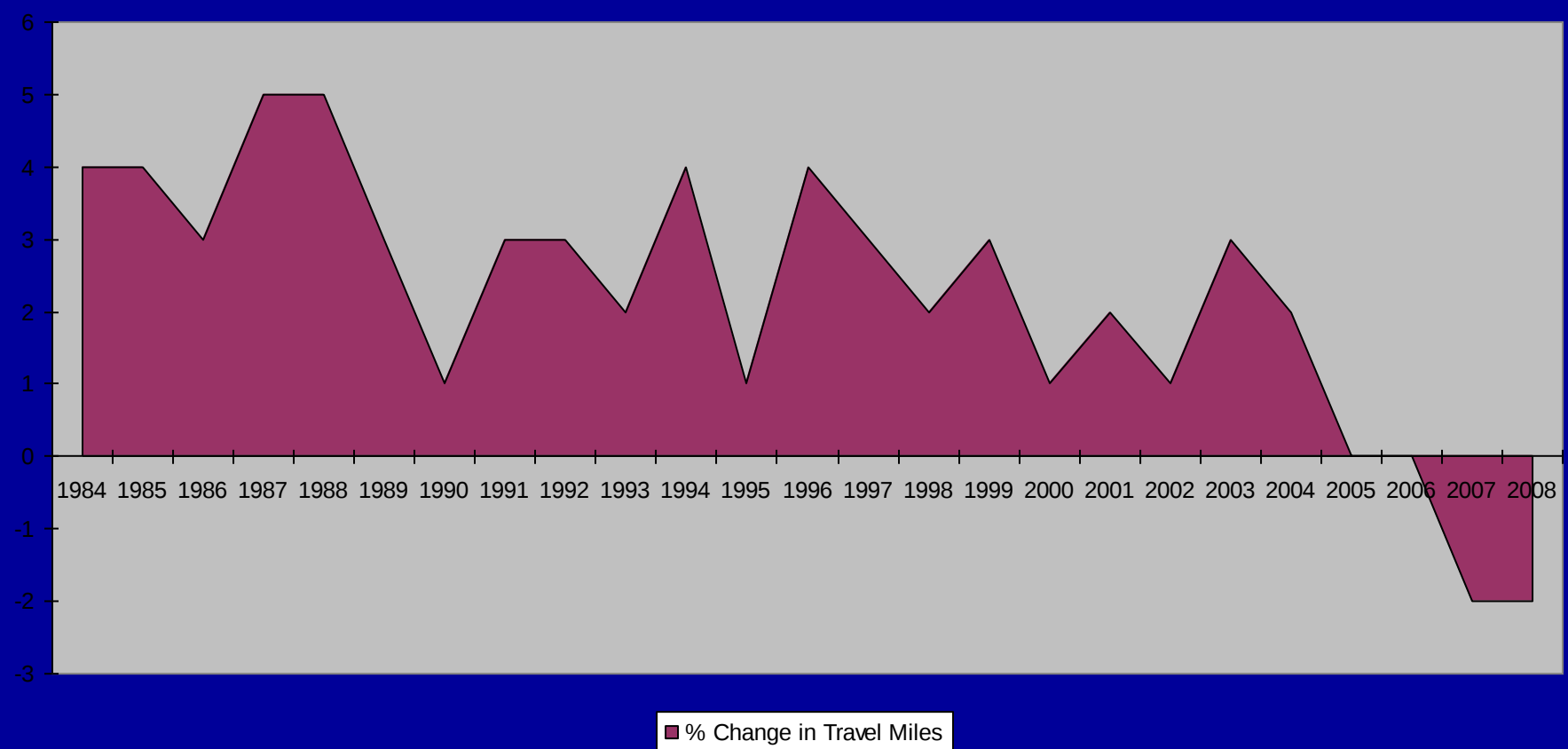


Vehicle Miles

Source: FWHA



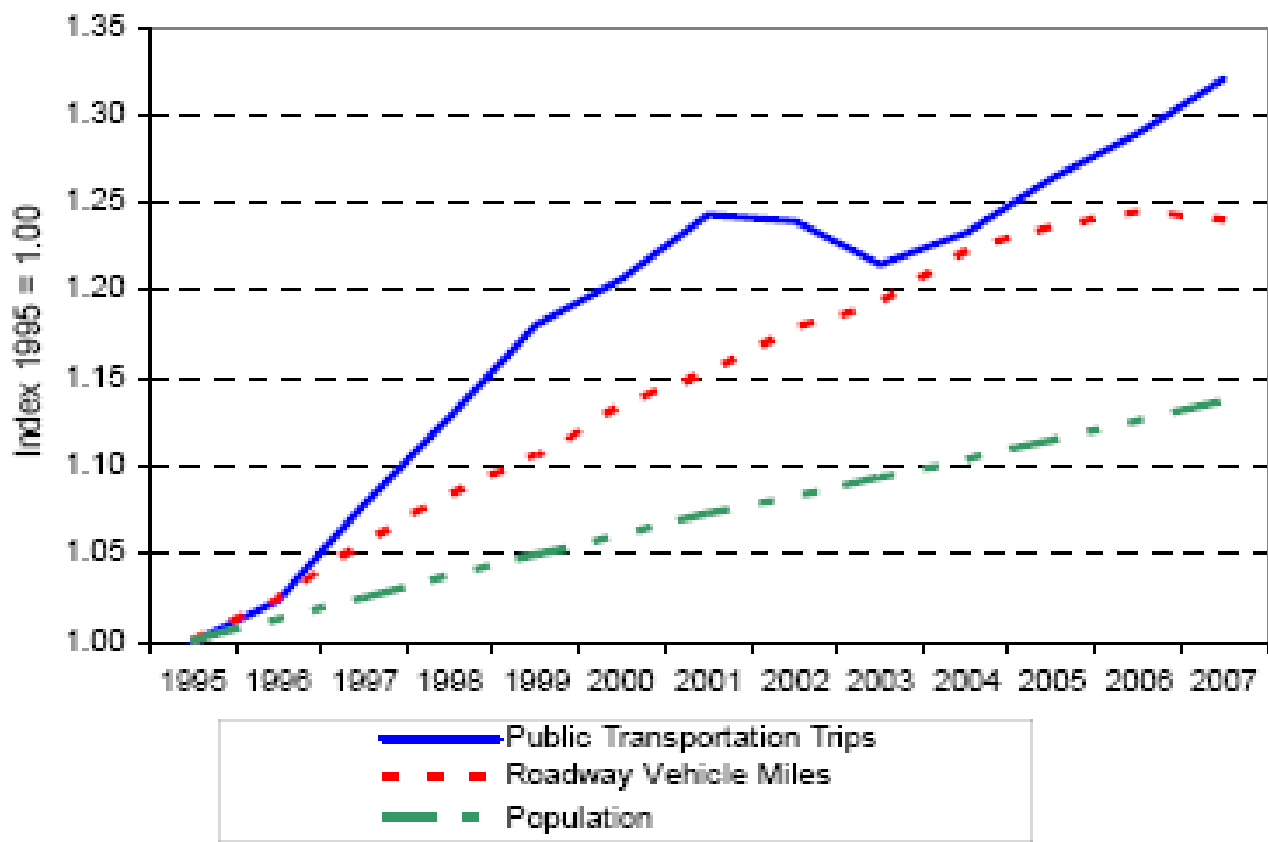
Trends in vehicles miles traveled



Source: Federal Transit Administration

Vehicle Miles vs. Public Transit

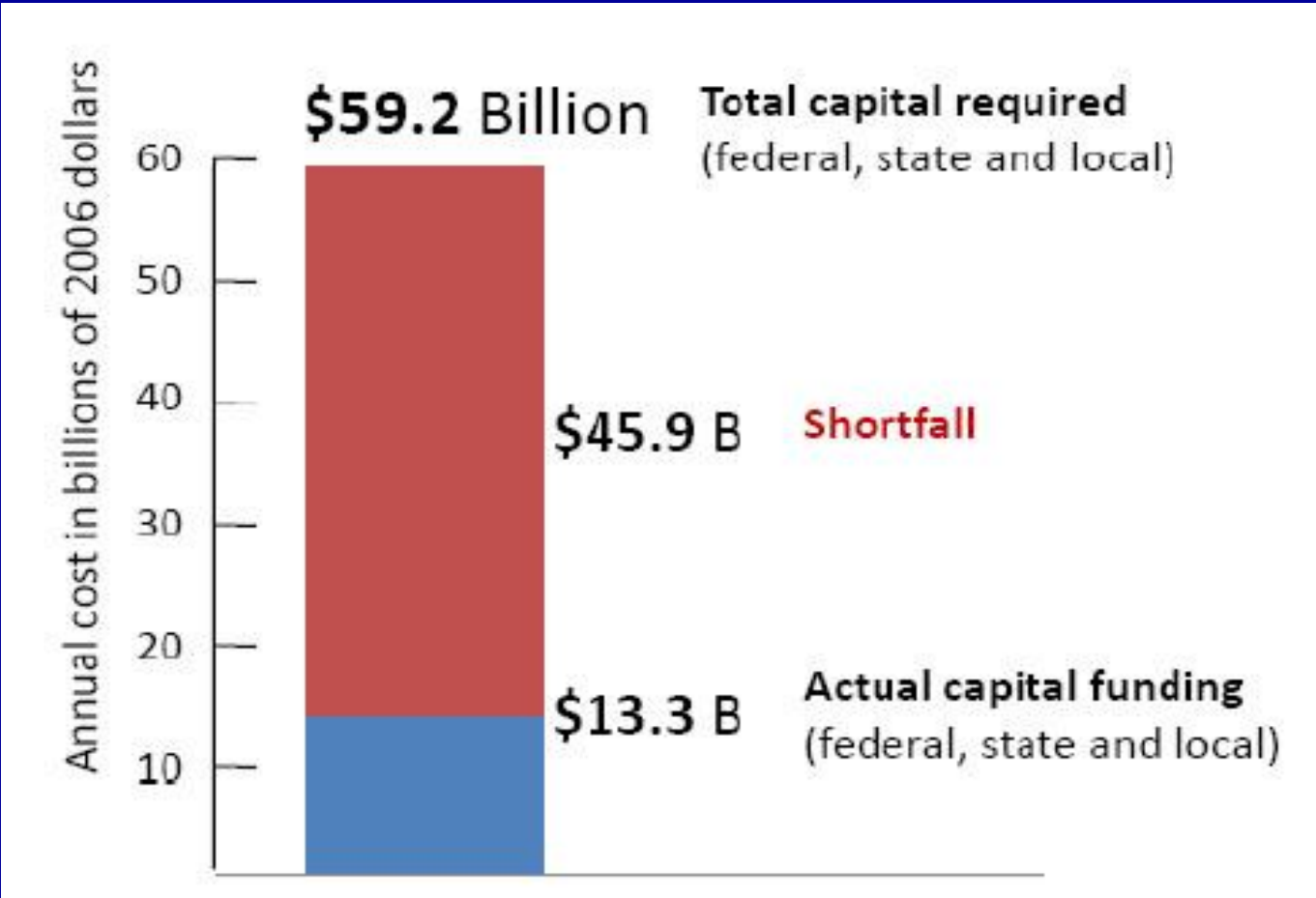
Public transportation trips have increased as Roadway vehicle miles traveled have decreased in recent months



Source: APTA 2008 Fact book

So, what will this cost?

Annual Capital Investment Needs for Public Transportation



Source: Cambridge Systematics, "State and National Public Transportation Needs Analysis," 2008.

Federal Funding

While the Federal Highway Trust Fund may be broke –funding for transit projects seems to be under utilized...

Year	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Federal Transit Trust Fund Balance	\$3,999,981	\$6,979,931	\$7,262,775	\$7,872,893	\$8,360,565

Source: FTA

Traditional Municipal Transit Funding

Generating Private Sector Financing Traditional Municipal Transit Funding

- 100% debt financed
- General Obligation Bonds
- Tax Backed Revenue Bonds
- Tax Increment Financing
- Fare-Box Revenue Bonds

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Traditional Municipal Transit Funding (Continued)

Challenges of Traditional Funding

- Voter Approval Required
- Many years to procure project
- Muni retains 100% of risks

Alternate Transit Funding

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Alternate Transit Funding

- **Capital Structure a mix of:**
 - Senior Debt
 - Subordinate/Mezzanine Debt
 - Equity
- **Debt may consist of:**
 - Private Activity Bonds
 - Taxable Bonds
 - Transportation Infrastructure Finance and Innovation Act (“TIFIA”) Loan
 - Railroad Rehabilitation & Improvement Financing (“RRIF”) Program Loan
 - Bank Debt
- **Concession Type**
 - Real Toll/Fare Revenue Based
 - May include development rights/impact fees/advertising revenue
 - Availability Style

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Alternate Transit Funding (Continued)

- **Benefits of Alternate Funding**
- Risk Transfer
- Expedited Procurement
- Reduced capital and operating costs
- Concession considers all capital and life-cycle costs where traditional municipal financing does not

Risks and Considerations

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Key Considerations for any PPP Project

Key Considerations – Review of PPP Options / Project Feasibility

System Interface	● Considers how well the planned improvements integrate with existing / other planned infrastructure (interoperability)
Design and Construction	● Addresses significant design and construction constraints including right-of-way, rail crossings, utilities, geotechnical, hazardous materials and constructability within the context of project cost
Operations and Maintenance	● Addresses O&M issues such as fence-to-fence responsibility, existing O&M contracts, interoperability of tolling system, regulation and enforcement
Legislation	● Considers existing and required legislation and city, county, state and federal approval requirements for tolling and P3s
Acceptability	● Addresses the acceptability of the project itself as well as the delivery by way of P3 and potentially tolling from both the public and political perspective
Approvals / Project Schedule	● Considers complexities of the approvals process including environmental approvals, tolling authorization and Federal programs. Also addresses the criticality of the project schedule to a P3 environment
Financial Feasibility	● Considers capital costs, O&M costs, rehabilitation costs, traffic and revenue, expansions, public funding, private financing including federal and other funding sources and revenue forecasts in a financial feasibility model

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Sample Risk Allocation by Owner

Type of risk	Government	Developer	Shared
Design		✓	
Construction		✓	
Availability/ performance		✓	
Operating costs		✓	
Macro economic factors			✓
Demand	?	?	
Third party use	?	?	
Obsolescence		✓	
Residual Value		✓	
Legislative change			✓

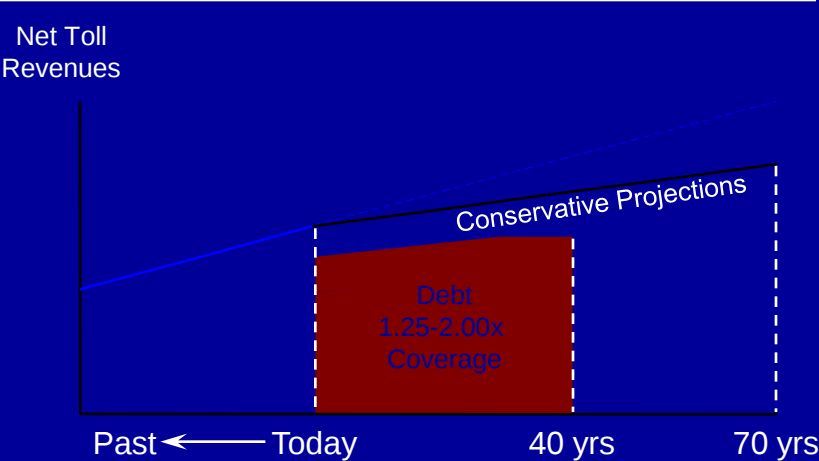
Compare Funding Methods

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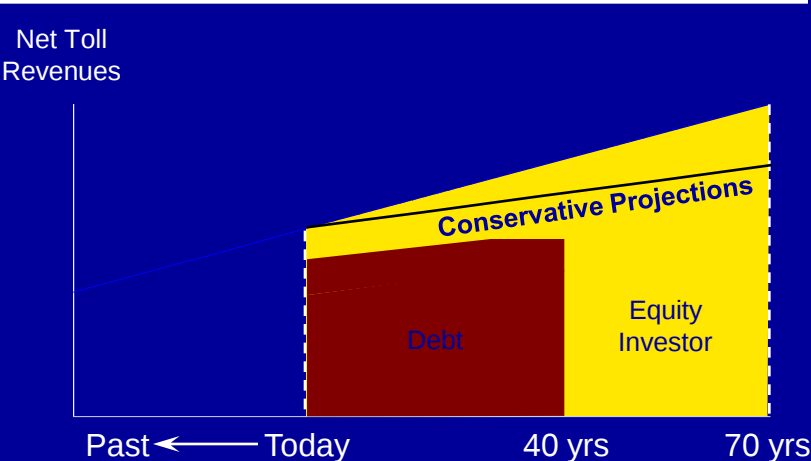
Private Financing

Concession leases provide an opportunity to capture the growth delta in volume and revenue increase.

Municipal Bond Structure



Concession Structure



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Private Financing

Senior Debt

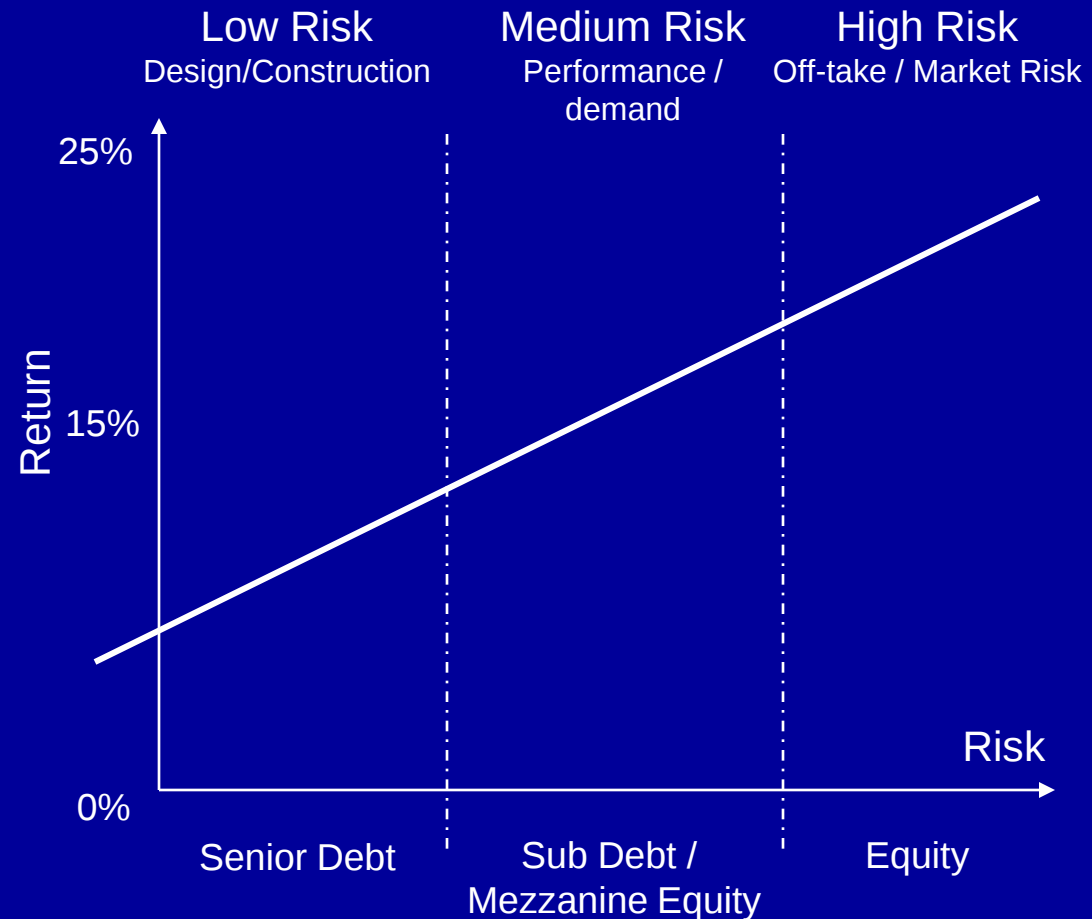
- Bank market
- Debt capital market

Mezzanine

- Bank market
- Debt capital markets
- TIFIA/RRIF funds
- Private equity funds

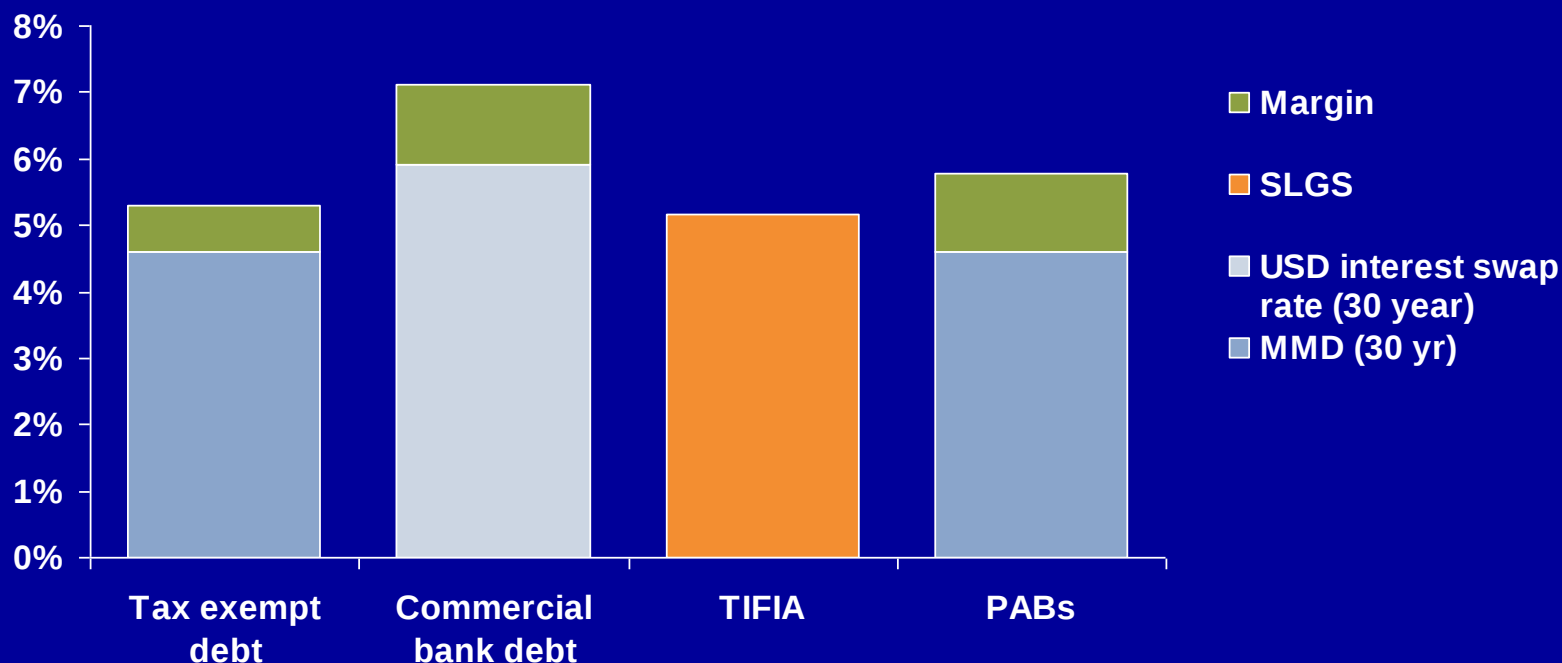
Equity

- Private equity funds
- Equity capital market



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Sources: MMD (30 yr) – Bond Buyer (July 9, 2007)

USD interest swap rate (30 year) – WSJ (July 13th 2007)

SLGS – US Treasury Department (July 11, 2007);

Case Studies

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Bay Area Rapid Transit

- 3 counties of San Francisco, Alameda and Contra Costa
- Service area population approx. 3.5 million
- 104 miles of rail
- 43 stations
- 500 cars
- GO Bonds (Aa1/AAA)
- Sales Tax Bonds (Aa3/AA)
- FFGA Bonds A3
- Oakland Airport Connector Project

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Oakland Airport Connector

The Oakland Airport Connector project will connect BART's regional rail system and the Oakland Airport ("OIA") using a direct and exclusive aerial guideway for transit vehicles departing to and from the existing Coliseum BART Station.

• *System Objectives*

- Provide reliable scheduled service between BART and OIA.
- Provide flexibility to increase transit vehicle frequencies during periods of increased travel demand.
- Offer a competitive alternative over those who drive to OIA by providing predictable connections and travel timesavings.
- Provide a convenient, safe and comfortable connection between BART and OIA.
- Maximize BART ridership

Hybrid P3 Structure: Primarily Availability-Style with some revenue risk

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Las Vegas Monorail

4-mile, elevated guideway project

Seven Stations

Connects most major hotels on strip

100% Privately financed

\$446 million of revenue bonds

- Original Underlying Rating **BBB-**
- Original Enhanced Rating **AAA**
- Current Underlying Rating **Caa2**
- Current Enhanced Rating **Aa3 (neg watch)**

Issues:

- Farebox rarely covers more than 1/3rd of opex let alone 100% opex, 100% debt, plus coverage
- Location behind strip
- Failure of hotels to include fare in room price

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Case Study – Port of Miami Tunnel

Availability-style, 35-year concession

Project size approximately \$1 billion

Payments linked to CPI

Bid method: lowest annual availability payment

Construction period approx 5 years

Availability period 30 years

Inflation and interest rate swaps included

Risks/Considerations:

- Construction Risk
- Annual Payments subject to annual appropriation
- Counterparty Risk (swaps, payment/performance bonds, O&M sub contractor, etc.)
- Political Risk (team invested significant time/\$ and transaction has not closed - ~1yr behind)
- Major Maintenance Risk (projected remaining life at end of concession >150 years)

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Case Study – VDOT/Capital Beltway

Real toll, 75-year concession

Toll rates unlimited, but rates must vary to maintain minimum traffic speed

Bid method: unsolicited proposal

Construction period approx 5 years

Approx. \$2 billion project with unique capital structure:

- \$589 million Senior Bonds
- \$589 million TIFIA loan
- ~\$470 million VDOT grant
- \$350 million sponsor equity

Risks/Consideration:

- Traffic and Revenue risk – “Greenfield” with untested variable, congestions pricing regime
- Construction Risk
- Counterparty Risk
- O&M Risk
- Major Maintenance Risk

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Private Financing

Thank you – if you would like any additional information about KPM G's Infrastructure Team, please contact:

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