



Advancing our Strategic Objectives

October 7, 2010

Strategic Objectives

- 1. Build the Bi-State Authority into an effective, long-term project sponsor.**
- 2. Execute a financial plan that is fair, sound and doable.**
- 3. Manage risk to realize long-term project benefits.**
- 4. Deliver on all the expected project benefits.**

How do we advance on these objectives beyond 12/31/10?

Overview – Project Work Plan

- **The Authority, KYTC and INDOT will deliver the Project**
- **Numerous issues must be resolved before the project enters procurement**
 - **Environmental**
 - **Federal**
 - **Delivery model**
 - **Authority's responsibilities and resources**
- **These issues will involve labor-intensive activities and complex solutions**

Overview (con't)

- **Authority needs a detailed Project Work Plan to effectively manage the process in coordination with the state sponsors, identifying:**
 - **Tasks**
 - **Schedule**
 - **Resources**
- **Action steps in Project Work Plan are aligned with initiatives, measures and targets that support the strategic objectives**

Overview (con't)

- Mode of delivery is to be determined, but could take one (or more) of three general forms along a spectrum of options:
 - *Public delivery* (Design, Bid, Build) with traditional public finance techniques
 - *Public/private shared delivery* (Design, Build) with traditional public finance techniques and some outsourced responsibilities/risks (other than revenue risk)
 - *Private concession delivery* (Design, Build, Operate, Maintain, Finance) with maximum risk transfer to the private sector, including financial and revenue risks

Four Key Common Needs Across Delivery Modes

Funding

Federal Decisions

Forecasting

**Flexible Project
Delivery, Risk
Allocation and
Financing Mechanisms**

Funding

- KIPDA financial demonstration has highlighted necessity of tolling
- What are the project goals?
 - Keep tolls to a minimum
 - Keep traffic diversion to a minimum
- What needs flow from this?
 - Obtain federal decisions
 - Enhance forecasting ability
 - Explore additional funding alternatives

Forecasting

Federal Decisions

Flexible Project
Delivery, Risk
Allocation and
Financing
Mechanisms

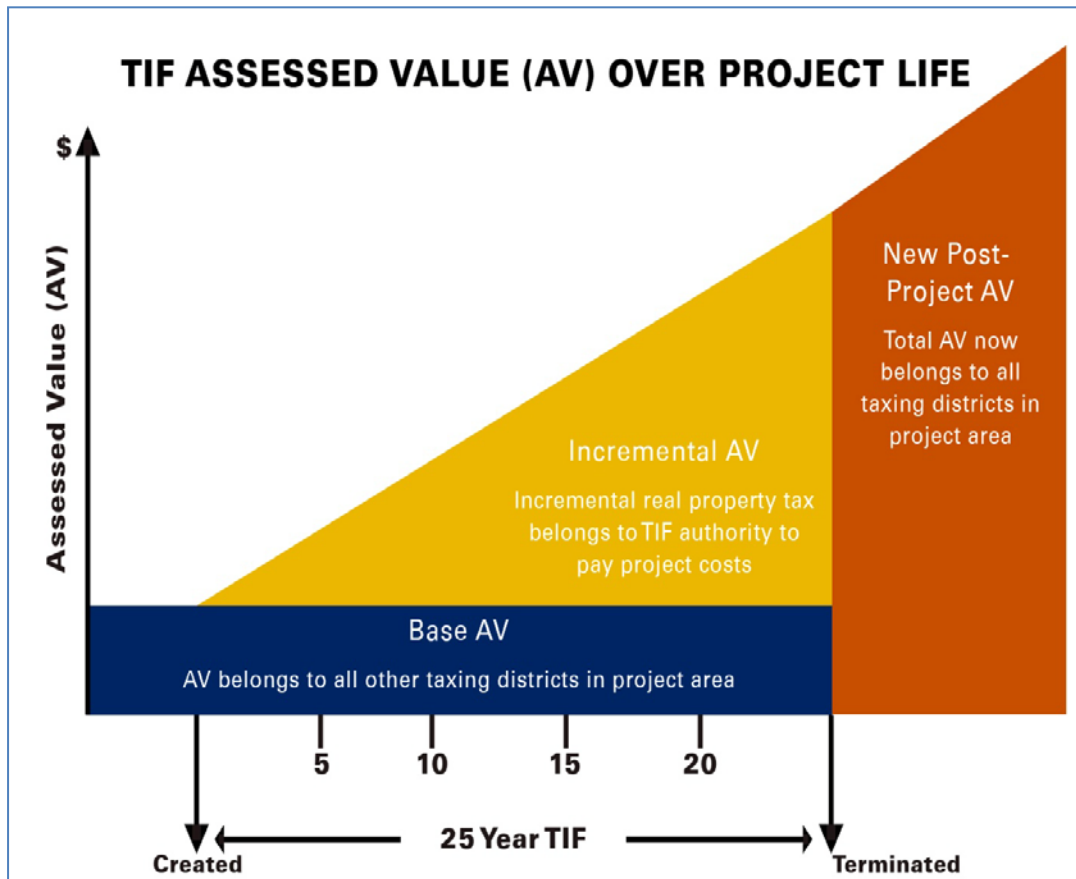
Funding Sources and Considerations

- Project will employ conventional funding sources (as identified in the KIPDA Financial Demonstration document)
 - Federal aid highway funds
 - State highway funds
- Tolling has been identified as a major potential funding source
- Additional funding sources for potential exploration

FUNDING ≠ FINANCING

Tax Increment Financing

- Tax Increment Financing (TIF) is a funding tool that uses anticipated growth in property values to fund projects



Dulles Metrorail, VA

- Additional property tax assessed on commercial properties
- TIF contributes \$400mm of \$2bn project funding

Funding

Forecasting

Flexible Project
Delivery, Risk
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Mechanisms

Federal Decisions

- Need approval from FHWA for tolling and pricing eligibility
- Need to obtain FHWA decision following some additional environmental work (NEPA)
- Need to monitor Congressional action to ensure infrastructure investment programs and reauthorization bill receive priority on legislative agenda

Forecasting

- Pending KIPDA Time of Day Model will help evaluate:
 - Diversion impacts
 - Revenue impacts
 - Tolling policy options

Funding

Federal Decisions

Flexible Project Delivery, Risk Allocation and Financing Mechanisms

Funding

Federal Decisions

Forecasting

Flexible Project Delivery, Risk Allocation and Financing Mechanisms

- Risk allocation considerations
 - Risk Transfer and Project Delivery Models
 - Balancing Risk and Control
 - Value for Money

Risk Transfer Models

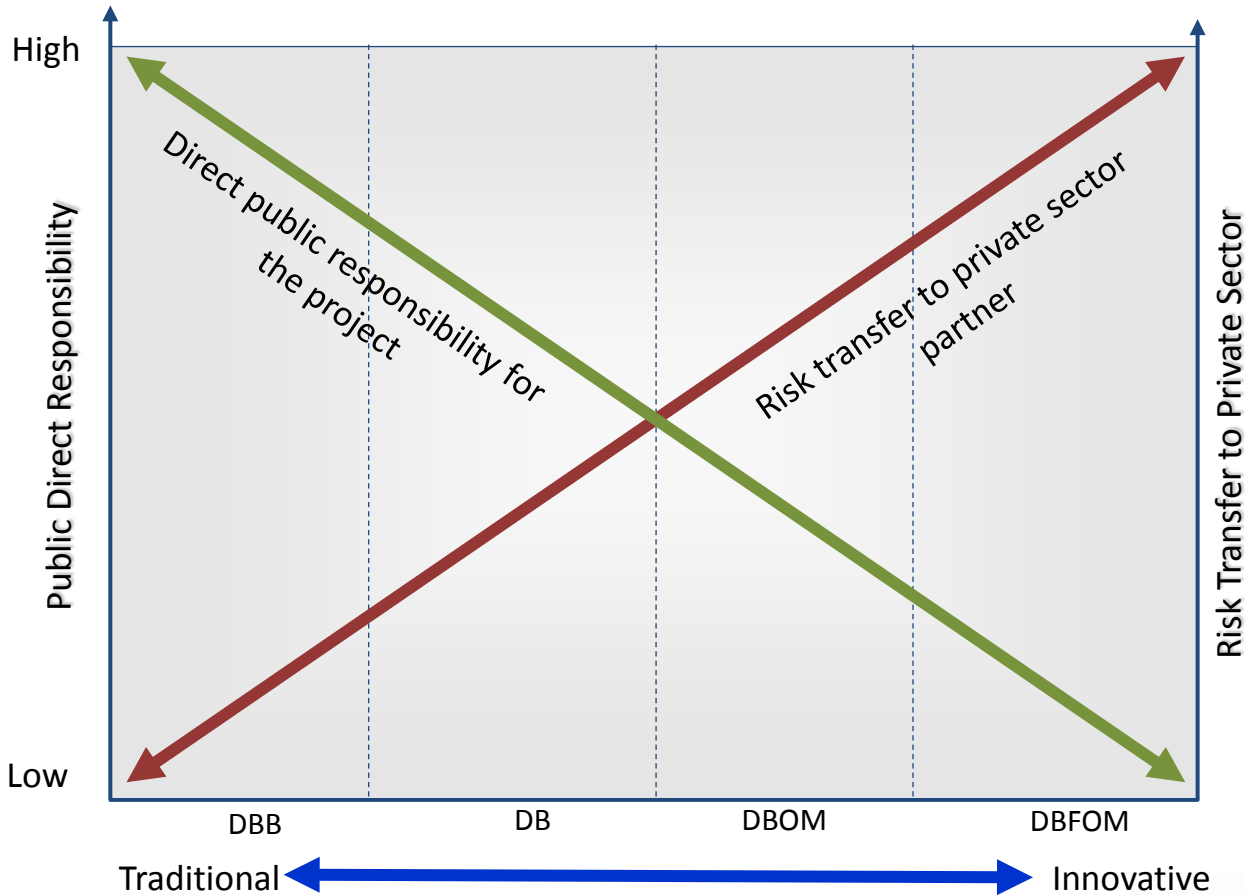
- The contract model defines
 - the roles of public and private sectors
 - how project risks are shared

	Design	Construction	Operate Maintain	Financing	Traffic	Revenue
Design Bid Build (Traditional)	○	○	○	○	○	○
Design Build	●	●	○	○	○	○
Design Build Operate/Maintain	●	●	●	○	○	○
Design Build Finance Operate/Maintain (Availability Payment)	●	●	●	●	○	○
Design Build Finance Operate/Maintain (Shadow User Fee)	●	●	●	●	●	○
Design Build Finance Operate/Maintain (Real User Fee)	●	●	●	●	●	●

- – Risk retained by Public Sector
- – Risk transferred to Private Sector

The Balance Between Risk & Responsibility

- Developing the most appropriate and acceptable balance of risk and control requires careful consideration of tradeoffs
 - Public responsibility may decrease as control/oversight retained via contract

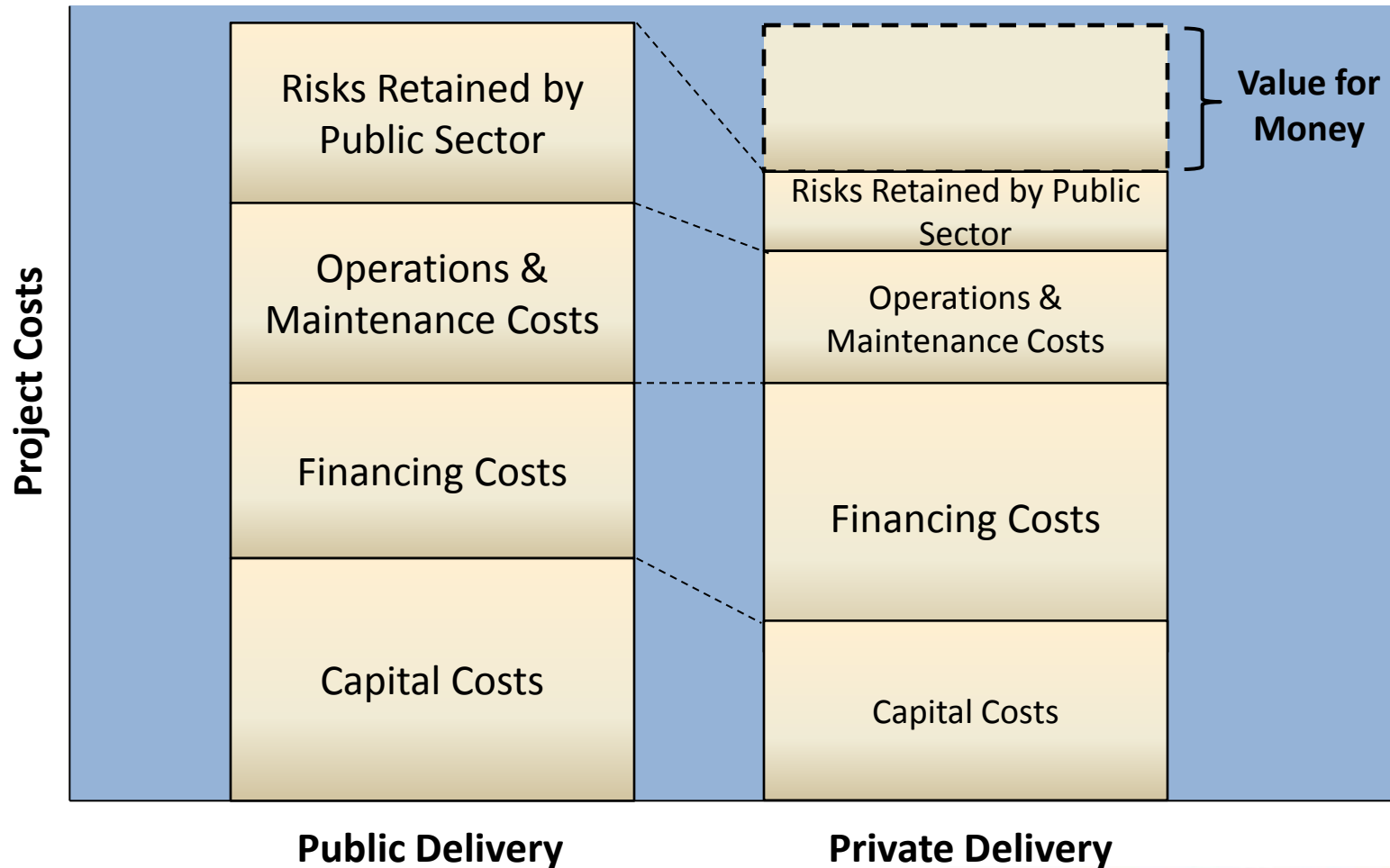


Example Project Risks

- Planning, design, engineering
- Regulatory approvals and permits
- Geotechnical / Site conditions
- Hazardous substances
- Financing risk
- Project costs and schedule delays
- Construction and materials
- Construction defects
- Contractor insolvency
- Operations risk
- Revenue risk
- Performance risk

Value for Money

- A tool to evaluate alternative delivery models



Not to scale – illustrative only

Financing Tools

- Funding sources, risk allocation and selected delivery model will influence the type of financing tools used
- Financing tools will be structured to monetize future funding streams into cash for construction
- Public sector financing tools
 - Tax-exempt municipal debt instruments, including:
 - General obligation bonds: backed by general tax revenues
 - Revenue bonds: backed by toll revenues
 - GARVEE bonds: backed by future Federal grant proceeds
 - Build America Bonds: trial tax-advantaged bond program created under the Recovery Act (ARRA)
 - TIFIA financing (see next slide)

Financing Tools

- Private developers utilize different financing tools

- **Private Activity Bonds: Authorized under SAFETEA-LU, allows private developers to issue bonds at tax exempt rates for public projects**
- **TIFIA (Transportation Infrastructure Finance and Innovation Act): US DOT program offering direct loans and credit support**
 - **Very low interest rate in current market**
 - **Flexible terms**
 - **Available to public and private sponsors**
- **Bank debt**
 - **Commercial banks will lend to private infrastructure developers**
- **Equity**
 - **From private project developers and investment funds**
 - **Relatively expensive but patient capital**

Key Workstream Activities

JUN
2010

SEPT
2010

DEC
2010

Clarify objectives and assess project risks and opportunities



Identify, analyze and solidify funding sources & finance mechanisms



Refine capital and operating cost assumptions



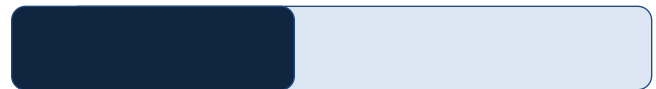
Refine traffic and revenue analysis



Develop financial model



Develop financial plan submittals



Complete demonstration for KIPDA planning process



Key Project Work Plan Activities

