



LOUISVILLE AND SOUTHERN INDIANA
BRIDGES AUTHORITY

Finance and Construction Planning Committee Meeting

November 4, 2010

Mission and Vision

Our Mission: To finance, construct and oversee the Ohio River Bridges Project

**Our Vision: Two Bridges, One Project;
Two States, One Team**

Values

Superior Value

Speed

Stakeholder Opportunity

Safety

Sustainability

Strategic Objectives

Build the Bi-State Authority into an effective, long-term project sponsor.

Execute a financial plan that is fair, sound and doable.

Manage risk to realize long-term project benefits.

Deliver on all the expected project benefits.

Agenda

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Initial Financial Plan Update

Requirements

- **Initial project financial plan**
 - Submitted by KYTC and INDOT to FHWA in September 2007
 - Approved by FHWA in January 2008
- **KYTC and INDOT technically required to perform updates; however, Kentucky budget requires KPTIA and Authority involvement**
- **KY budget resolution of June 2010 lays out financial plan requirement**
 - KPTIA, in conjunction with the Authority, shall update the initial financial plan for the project
 - Updated IFP must be submitted to FHWA by 12/31/10
 - Failure to meet deadline stops KYTC funding for the project

IFP Update Overview

- Update will start with the approved IFP from 2008
- Financial Demonstration for KIPDA's long-range transportation plan update (July 2010) provided an interim view of financial plan
 - Key change from the original IFP is that traditional public funds cannot fully fund the project
 - Identified need for additional funding sources, including potential toll revenues
- 12/31/10 IFP update will build on both documents
- An important step in developing a plan that meets project objectives

IFP Update Overview (cont'd)

- **Based on best case that can be presented using information available today:**
 - Latest construction and O&M cost estimates (GEC, KYTC, INDOT)
 - Current project schedule (GEC, KYTC, INDOT)
 - New interim TOD toll revenue forecasts (Wilbur Smith Associates)
 - Updated estimates of state and federal contributions (KYTC, INDOT)
- **Project delivery approach will reflect traditional public delivery model**
 - Design-bid-build
 - Can be done under existing legislative authority in both states
 - Will reflect mix of state and federal funding and toll revenues
- **Update will include discussion of possible enhancements**
 - Alternative delivery models, tolling scenarios and funding sources

What's Next: Advancing the Project Work Plan

- **Project Work Plan will contain work streams for exploring enhancements**
- **Desired outcomes for the ultimate financial plan:**
 - **Minimize tolls**
 - **Optimize toll equity**
 - **Minimize traffic diversion**
- **Alternatives will only be adopted if they contribute to a financial plan that is fair, sound and doable**

IFP Update: Timeline and Milestones

Upcoming Milestones	Date
1st Finance and Construction Planning Committee mtg.	11/4
KPTIA meeting	11/17
Review draft with Finance Committee	12/2
FHWA Approval of MTP (expected)	12/8
Present draft to Authority	12/9
Present draft to KPTIA	12/10
First public input session	12/13
Consideration by LASIBA	12/16
Consideration by KPTIA (could be jointly with LASIBA)	12/17
Submittal to FHWA by LASIBA and KPTIA, through KYTC and INDOT	12/31



Alternative Project Delivery Models: Potential Benefits

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

Closing the Funding Gap

- **Two means of closing the gap:**
 - Reduce project costs
 - Raise additional funding
- **Project Work Plan will explore both**
- **Market precedents indicate that choice of delivery model has real potential to help drive down cost**
 - For LSIORB, savings from schedule acceleration could be **\$10 million per month or more**

Delivery Models for Building the Bridges

- **Mega-projects can be delivered through a variety of contracting models, which vary along several key elements:**
 - ***Project Packaging:*** How much scope do you include in each contract?
 - ***Risk Transfer:*** How much risk do you ask the contractor to assume?
 - ***Project Sequencing:*** Which elements are delivered first?
 - ***Public Sponsor Role:*** What aspects of project delivery will be the responsibility of the public sponsor?

Delivery Model: Value Components

- The choice of delivery model directly affects key value components:
 - *Project Schedule*: How quickly are project benefits obtained?
 - *Innovation and Cost Saving Ideas*: What incentives are created for the contractor to develop innovations that can drive down project costs?
 - *Residual Risk*: What risks (and costs) is the public sponsor left exposed to?
 - *Financing Options*: Choice of delivery model drives choice and pricing of financing tools available.

Cost Savings from Schedule Acceleration

- **Current delivery model based on traditional design-bid-build**
 - Multiple procurement packages and bidding cycles
 - Sequential approach to phasing
 - 12-year construction program (2011 – 2022)
- **Cost estimate includes over \$800 million of escalation**
 - Current year total cost estimate ~\$3.3 billion
 - Year of expenditure estimate ~\$4.1 billion
- **Construction cost escalation estimated at 4% annually**
 - Every month of project acceleration results in more than \$10 million savings on total project costs

Project Delivery Risk Transfer Models

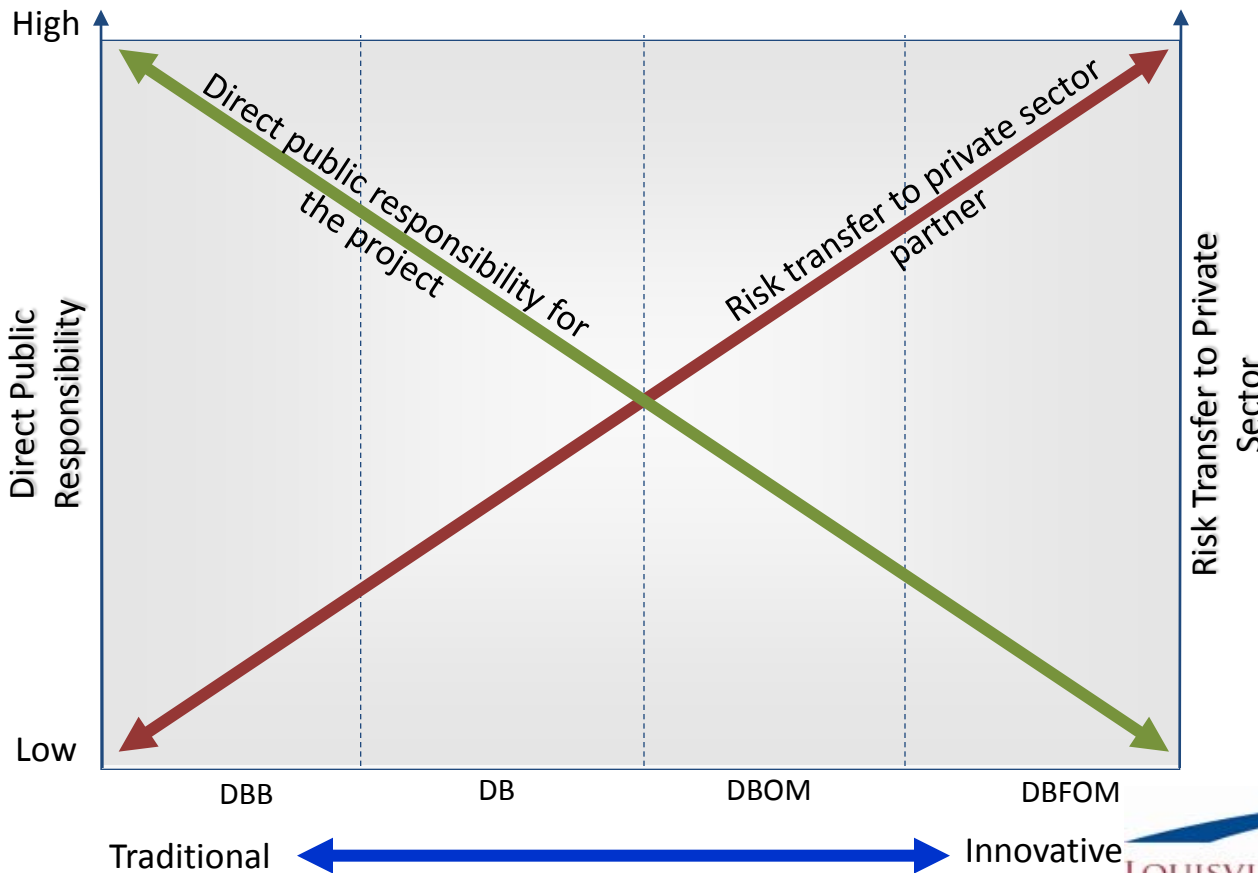
- The contract model defines:
 - the roles of public and private sectors
 - how project risks are shared

	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 responsibility requires careful consideration of tradeoffs
- Public responsibility decreases in innovative delivery models as control/oversight is enhanced and retained via contract

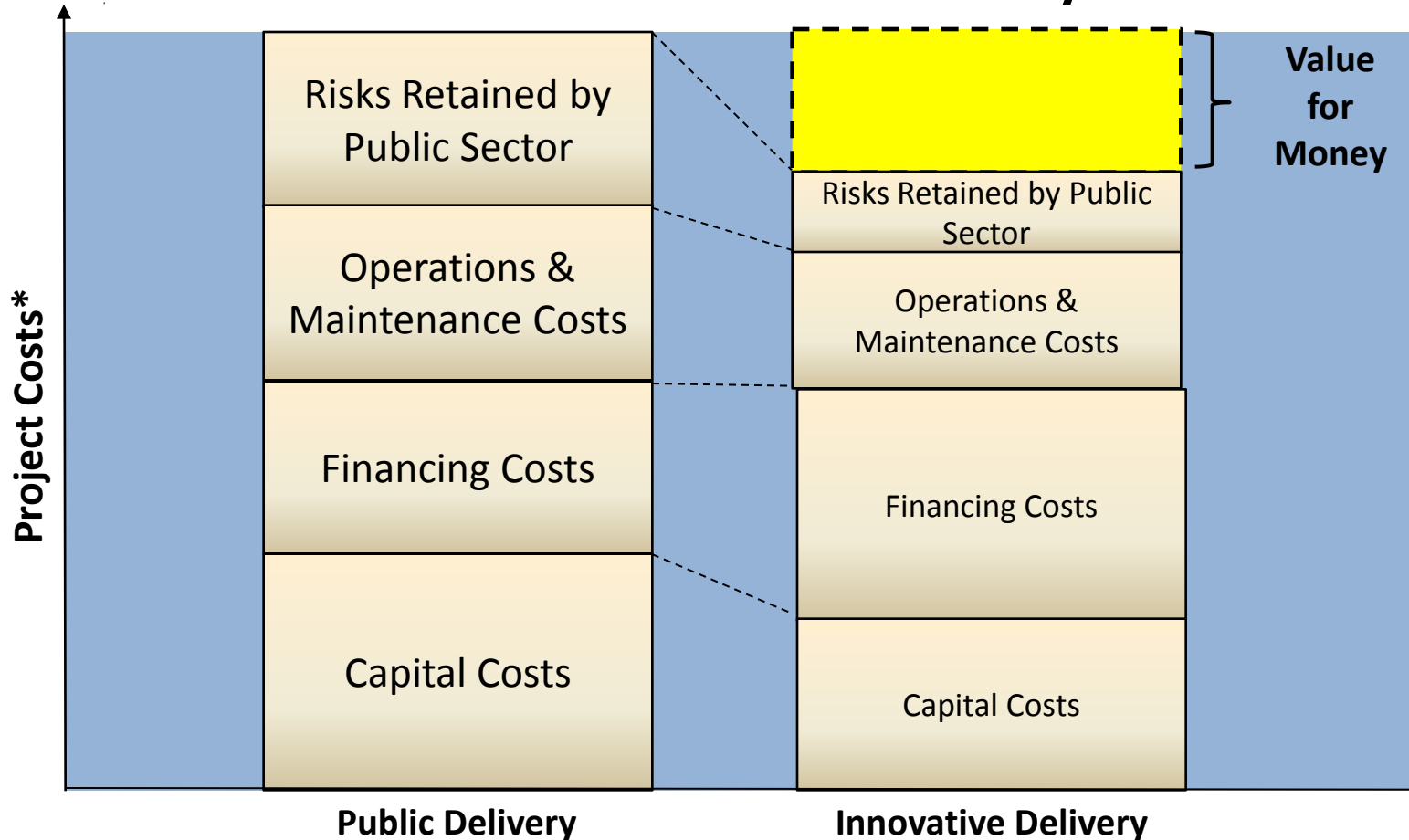


- | Example Project Risks | |
|-----------------------|-----------------------------------|
| ● | Planning, design, engineering |
| ● | Regulatory approvals and permits |
| ● | Geotechnical / Site conditions |
| ● | Hazardous substances |
| ● | Financing risk |
| ● | Project costs and schedule delays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



Value for Money

A tool to evaluate alternative delivery models



PURSUE ALTERNATIVE DELIVERY IF IT OFFERS BETTER VALUE

Cost Saving Concepts to Date

- Project technical team has reviewed hundreds of value engineering concepts
- VE concepts incorporated to date represent estimated savings of at least \$200 million, including:
 - SR 265/SR 62 Interchange modifications ~\$53 million
 - East End bridge tower foundation design ~\$44 million
- Dozens of additional VE concepts still being evaluated

Potential Private Sector Innovation

- **Private developers can bring additional cost saving ideas**
 - Construction means and methods
 - Alternative technical concepts
 - Innovative scheduling and staging approach
- **Innovative delivery models have potential to generate additional cost saving concepts by aligning contractor incentives with project objectives**
 - Performance specifications, not prescriptive solutions
 - Opportunities to share in cost savings
 - Whole life cost perspective

Exploring Private Sector Innovation

- **Industry best practice typically includes conducting an industry forum for prospective contractors, engineers and others**
 - **Share updated project information**
 - **Solicit input and ideas from prospective bidders, especially for schedule acceleration**
- **Help ensure global E&C industry is tracking the project**

Traditional vs. Innovative Delivery: Schedule Considerations

Design-Bid-Build

- Possible under existing legislation in both states
- Long history of successful implementation – standard contracts and processes exist
- Multiple procurement cycles
 - Design Firm(s)
 - Contractor(s)
 - Operator(s)
- “Serial” contracting approach more exposed to hand-off delays
- Higher “interface” risk among players

Innovative Delivery

- Greater upfront effort to structure transaction
- Fewer procurement cycles expedite contracting process
- Single point of responsibility for design, construction, operations and maintenance; minimizes potential “finger-pointing” and delays in hand-off between key functions
- Can offer schedule incentives to contractors
 - Fixed pricing creates alignment of incentives
 - Earlier completion = lower cost and earlier revenue generation



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Case Study Review of Financing Innovations Used in Prior Transactions

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

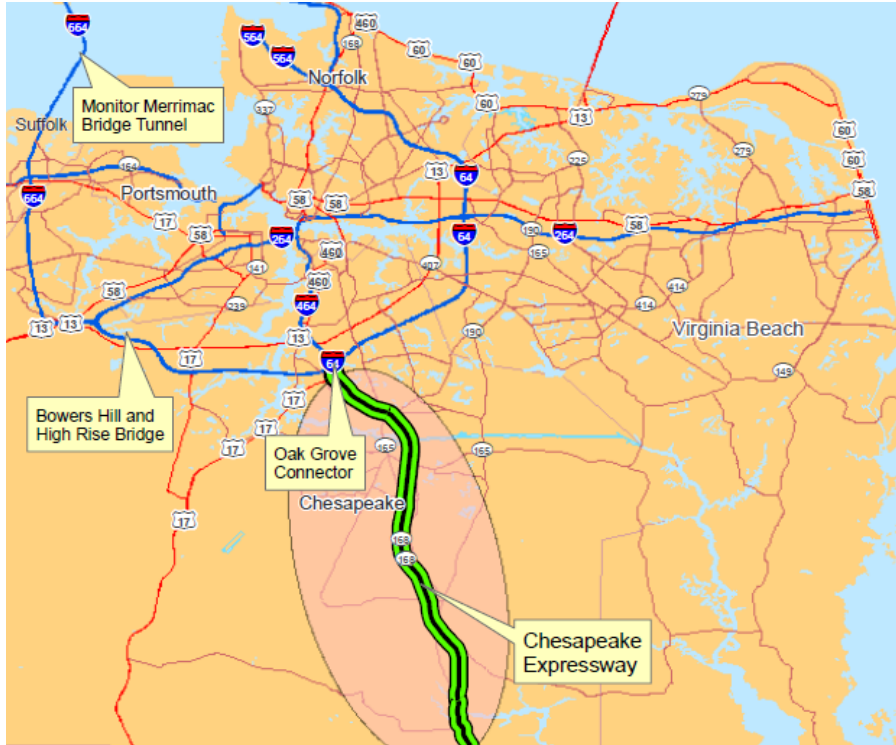
Flexible Project
Delivery, Risk
Allocation and
Financing
Mechanisms

Case Study Overview

- Case studies are intended to provide a high-level survey of innovative financing structures used in previous highway or bridge developments, which may be relevant to Ohio River Bridges to varying degrees

Innovative Feature	Case Study
Public / Private Co-Investment	Chesapeake Expressway Toll Road (VA)
Public Sponsor Availability Payments	I-595 (FL)
Development Taxes	Route 28 (VA)
Vehicle Registration Fees	E-470 Toll Road (CO)
Pass-Through Payments	Montgomery County (TX)
Managing Federal Funding Flexibility	Denver FasTracks Eagle Project (CO)

Public / Private Co-Investment Chesapeake Expressway Toll Road (VA)



Background

- The Chesapeake Expressway (Route 168) is a 16-mile, four-lane divided highway linking Interstate 64 in Chesapeake, Virginia to North Carolina and the Outer Banks
- The Chesapeake Expressway is designed to alleviate traffic delays on an unlimited access two- and four-lane city roadway
- The toll road financing is part of a \$116 million funding program consisting of a low interest Virginia Department of Transportation subordinate loan, accelerated funding of a portion of the City's Urban Allocation monies, TEA-21 monies and Revenue Bonds
- The \$21.63 million Toll Road Revenue Bonds were used to finance the tolled portion of the Expressway
- Public co-investment allowed the project to achieve a Baa2 rating from Moody's – a favorable rating for a start-up toll road project

Public / Private Co-Investment

Chesapeake Expressway Toll Road (VA)

Project Funding Strategy

- Chesapeake Expressway aggregated federal funds, state contributions and toll revenue bond proceeds to close a projected funding gap

Funding Sources		
Funding Source	(\$million)	
Commonwealth TFRA Loan	38.7	Toll Facilities Revolving Account loan by Commonwealth Transportation Board
Urban Allocation Funds	49.8	Federal Highway Funds allocated to urbanized areas with populations in excess of 200,000, subject to distribution formula
TEA-21 Earmark	5.8	Congressionally appointed reimbursements for approved projects
Expressway Fund Monies	0.3	"Route 168 Fund" created by the Virginia General Assembly
Toll-Revenue Bonds	21.6	Non-recourse bonds secured by toll revenues
Total	116.2	

 VDOT and/or Federal Investment

Funding Uses	(\$million)
Fixed Price Construction	66.24
Right of Way/Utility Allowance	14.46
Design and Oversight	17.86
Contingency	9.94
Finance, Oversight, Other	7.67
Total	116.17

Toll Facilities Revolving Account (TFRA)

Component of Commonwealth's Transportation Trust Fund, established in 1986 by Code of Virginia Title 33

- Funded from interest earnings on balances in the TFRA, Transportation Trust Fund and Highway Maintenance and Operations Fund
- Subsidized loans to priority toll projects

Public / Private Co-Investment

Chesapeake Expressway Toll Road (VA)

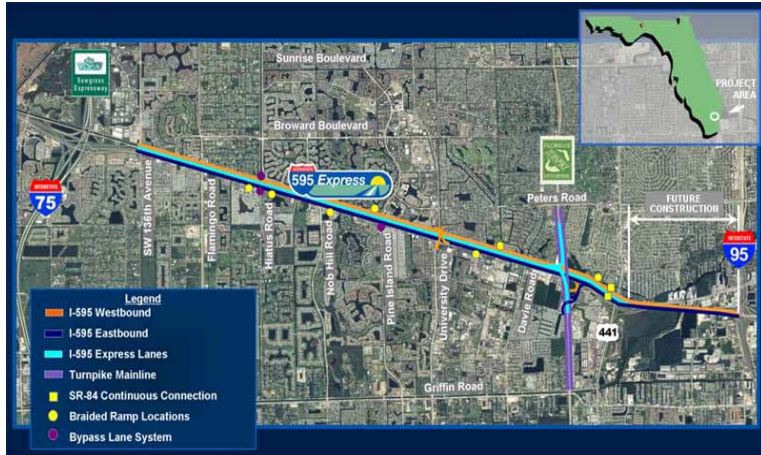
Considerations

- TFRA Account is a state-sponsored investment vehicle, initially capitalized with non-federal (state) funds
- City of Chesapeake agreed to dedicate the majority of its Urban Allocation Funds to this priority project, voluntarily deferring other priority projects
- Although the “Route 168 Expressway Fund” commitment was small relative to the project size, this local “seed capital” allowed the project to move efficiently through pre-development activities
- The Commonwealth-subsidized TRFA loan achieved a similar outcome to the federal TIFIA loan program subsequently legislated by Congress, and expected to factor into the Ohio River Bridges finance structure
- The City of Chesapeake spent over 2 years examining toll alternatives and rate setting options, acknowledging public resistance to tolling; the week the project opened to traffic, project acceptance and use far outstripped initial projections, allowing the City to adjust tolls to alleviate traffic congestion approaching the new toll road

Publicly-sponsored investment vehicle used to complement privately financed toll revenue bonds

Public Sponsor Availability Payments

I-595 (FL)



Source: <http://www.i-595.com/index.asp>

Background

- Project consists of the reconstruction, widening and resurfacing of the I-595 mainline in Broward County from the I-75/Sawgrass Expressway interchange to the I-95/I-595 interchange, approximately 10.5 miles
- The State of Florida had funded a portion of the project as part of its Strategic Intermodal System Growth Management Plan
- Due to a funding shortfall in the State's plan, other funding options were considered
- In 2007, the State held a PPP forum to evaluate potential funding options and gauge private sector interest in developing a solution
- On October 24, 2008, Florida DOT selected the ACS-Dragados Team as the best value proposer, reaching financial and commercial close on March 3, 2009
- Project was procured as a 35-year design, build, finance, operate, and maintain contract with vendor receiving availability payments of approximately \$63 million annually in exchange for completing the planned improvements and maintaining the roads
- FDOT chose to toll the project as a means of managing corridor congestion; however FDOT sets and retains all tolls, depositing them into the statewide transportation fund, from which the concessionaire is paid

Public Sponsor Availability Payments I-595 (FL)

Project Funding Strategy

- Focus on cost reduction alternatives, while implementing tolls to both manage corridor congestion and provide a new revenue source for statewide projects
- Project funded using 100% private financing

Funding Sources

Funding Source	(\$million)	
Commercial Bank Debt	780.0	12 bank “club” providing funding in two tranches
TIFIA Loan	678.0	35-year subordinate lien subsidized federal loan; includes flexible payment terms and interest-only requirements until commercial debt is paid in full
Equity	208.0	Investment from ACS-Dragados team
Total	1,666.0	

Availability Payments

FDOT makes periodic payments to Concessionaire after project completion and commencement of operations

- Determined by availability of portions of project to achieve throughput requirements and service quality standards in relation to Payment Mechanism criteria
- Single, unitary payment up to Maximum Availability Payment (MAP)
- Earned quarterly and paid monthly by FDOT

Payment Mechanism

Regulates FDOT’s disbursement of Availability Payments to Concessionaire

- Incentivizes early project completion
- Provides system of Performance Points
- Defines how Concessionaire can earn Availability Payments up to the MAP in each year
- Provides incentives to meet performance standards and correct failures as quickly as possible

Public Sponsor Availability Payments I-595 (FL)

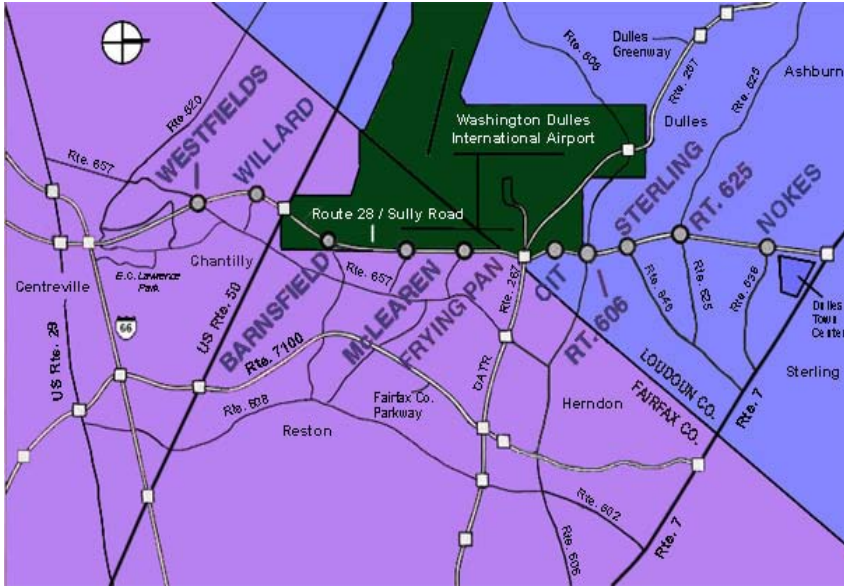
Considerations

- Project cost reduced by tapping private innovation; the winning concession bid of \$1.796bn was \$275m, or 13%, below FDOT's projections, in current dollars
- Schedule acceleration 10 years earlier than planned, coupled with improved efficiency of design and construction by combining a majority of the 18 individual segments into a single project, trimmed further cost from the project
- Private sector guarantees will limit time and cost overruns common in complex highway and bridge projects
- As a result of effective cost reduction strategies, fewer state highway dollars are programmed to pay Availability Payments
- Tolls provide a source of new revenue for FDOT, but are used to manage congestion rather than pay investors

Project structure that uses tolling to manage congestion while transferring financing risk to the private sector

Development Taxes

Route 28 (VA)



Source: <http://www.28freeway.com/projectmap.html>

Background

- In 1987, Virginia authorized localities to form special tax districts to finance transportation projects.
- Fairfax and Loudoun Counties established the first incremental tax district in the State in 1988, enacting a levy of 20 cents per \$100 of valuation on all commercial and industrial property in the district
- Bonds backed by tax revenues **and a guarantee by the Commonwealth** were issued to fund Route 28 development, completed in 1991
- In October 2002, the Virginia DOT executed a comprehensive agreement with The Clark Construction Group to develop, design and build six high-capacity grade-separated interchanges to replace six at-grade, signalized intersections on Route 28 in Fairfax County
- Ultimate plans call for construction of a total of ten interchanges and widening Route 28 from six to eight lanes
- The public-private plan includes over \$200 million in improvements, with VDOT providing \$70 million of co-investment

Development Taxes

Route 28 (VA)

Project Funding Strategy

- Recognizing the urgent need for local transportation development, Fairfax and Loudoun Counties created a tax district to fund the development of Route 28
- As the Counties grew, Route 28 required substantial investment to deal with the ensuing traffic growth
- Special Improvement Taxes, subject to legislative appropriation, make up first available funds to cover debt service
- Additional funding dedicated to debt service includes Transportation Trust Fund balances

Funding Sources

Funding Source	(\$million)	
Tax District	130.0	Tax-exempt bonding backed by the special tax district
Virginia DOT	70.0	VDOT contribution of partial funding, project support and guidance
Total	200.0	

Route 28 Corridor Transportation District

Created by Boards of Supervisors of Fairfax and Loudoun Counties, pursuant to Transportation Improvement District in Multi-County Areas Act

- Encompasses 14,800 acres along State Route 28 in Fairfax and Loudoun
- Empowered to undertake improvement of highways located in District and to enter into contracts with the Virginia Transportation Board
- Commission can request that Boards of Supervisors levy Special Improvements Tax

Special Improvement Tax

General real estate property tax levied and collected annually on commercial and industrial properties in the District

- District Contract provides terms by which the rate of tax is set on an annual basis
- Collected up to a maximum rate so that the tax will generate revenues in an amount the PV of which is equal to 80% of the PV of Net Debt Service over the term of the Bonds
- Deposited to Transportation Trust Fund and subject to appropriation

Development Taxes

Route 28 (VA)

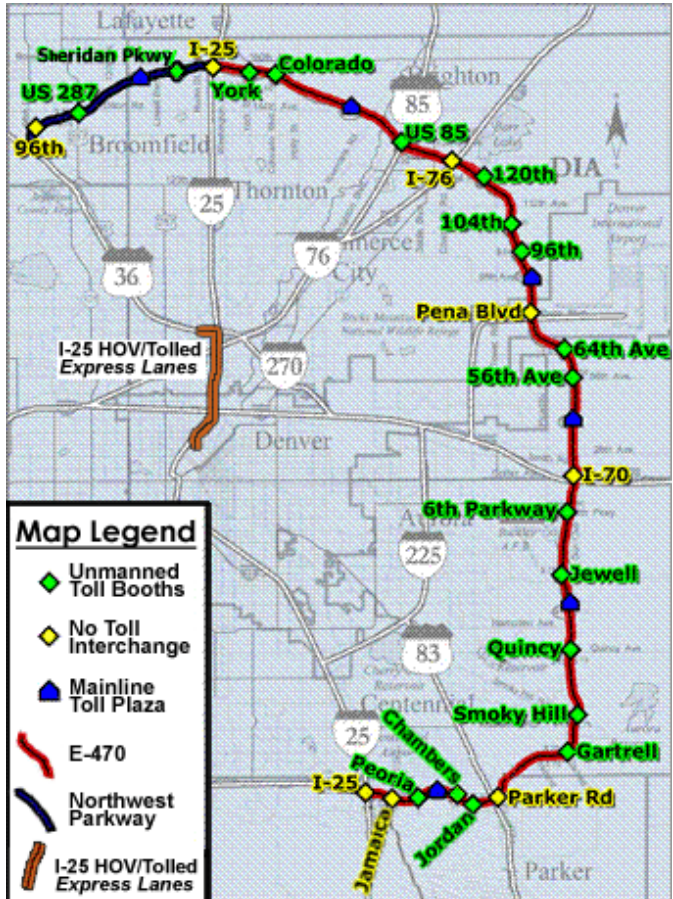
Considerations

- Route 28 is a multi-jurisdictional project (Fairfax and Loudon Counties) that took advantage of strong state assembly and state funding support
- The local community recognized its transportation infrastructure challenges, prompting new self-imposed development taxes by local commercial and industrial beneficiaries
- To encourage local community investment, Commonwealth of Virginia provides strong subsidies in the form of: planned payment of 20% of debt service (tax is structured to pay 80% of debt service); providing credit enhancement on all debt by paying debt service directly from Commonwealth Transportation Trust Fund; and co-investing \$70 million of Commonwealth (VDOT) funds

Example of capturing some of the value created indirectly by the project to fund capital costs

Vehicle Registration Fees

E-470 Toll Road (CO)



Source: <http://www.e-470.com>

Background

- The E-470 Toll Road is a 47-mile, limited-access toll highway running along the eastern perimeter of the Denver metropolitan area. E-470 is a four-lane highway, with five miles consisting of six lanes. It has been designed to be widened up to eight lanes and to allow for future median mass transit and HOV lanes.
- The project was built in four phases, with construction on Phase 1 beginning in 1989 and ending with Phase 4 in 2003
- In 1985, the E-470 Authority, an intergovernmental entity between Adams, Arapahoe, and Douglas counties, was formed via MOU to assume the responsibilities of financing and constructing the road
- In November 1988, a vehicle registration fee (VRF) applicable to all vehicles owned by residents within the Voting Boundaries of the Authority was approved by voters 58% to 42%

Vehicle Registration Fees E-470 Toll Road (CO)

Project Funding Strategy

- The E-470 project was initially financed by Arapahoe County, which issued bonds for the road in 1986
- The project was challenged by a regional recession, reducing projections of toll revenue, and citizens voted against using taxes to make up for shortfalls
- A \$10 per vehicle annual registration fee was implemented, and Vehicle Registration Fee Bonds, backed by the income from the fee, were issued to initially fund the project which was delivered on time and under budget in 2003

Funding Sources (Segments 1, 2 & 3)

Funding Source	(\$million)	
Senior Revenue Bonds	587.6	Bonds secured by toll revenues, highway expansion fees, and interest earnings after the payment of operating expenses
Vehicle Registration Fee Bonds	50.79	Special, limited obligations of the Authority, payable solely from and secured by a first lien on the Vehicle Registration Fees
Second-Tier Subordinate Bonds	16.0	Bonds purchased by the design-build contractor, Platte River Constructors
Total	654.4	

Vehicle Registration Fee District

- The E-470 Public Highway Authority was granted authority to collect the VRF from all vehicles registered in its voting boundaries, to be collected by the county clerks less a 5% fee to offset administrative costs
- The legality of the fee was initially challenged in a lawsuit by the Arapahoe County Board of Commissioners, however, was upheld by the Colorado Supreme Court

Vehicle Registration Fee Bonds

- The Authority has agreed to continue collecting VRF as long as any VRF bonds are outstanding without regard to the continuation of a statewide motor vehicle registration fee
- Although VRF bonds mature in 2018, the Authority may discontinue VRF collections, but the Authority is not required to
- In 2010, it is expected that 7.2% of the Authority's revenues will come from VRF

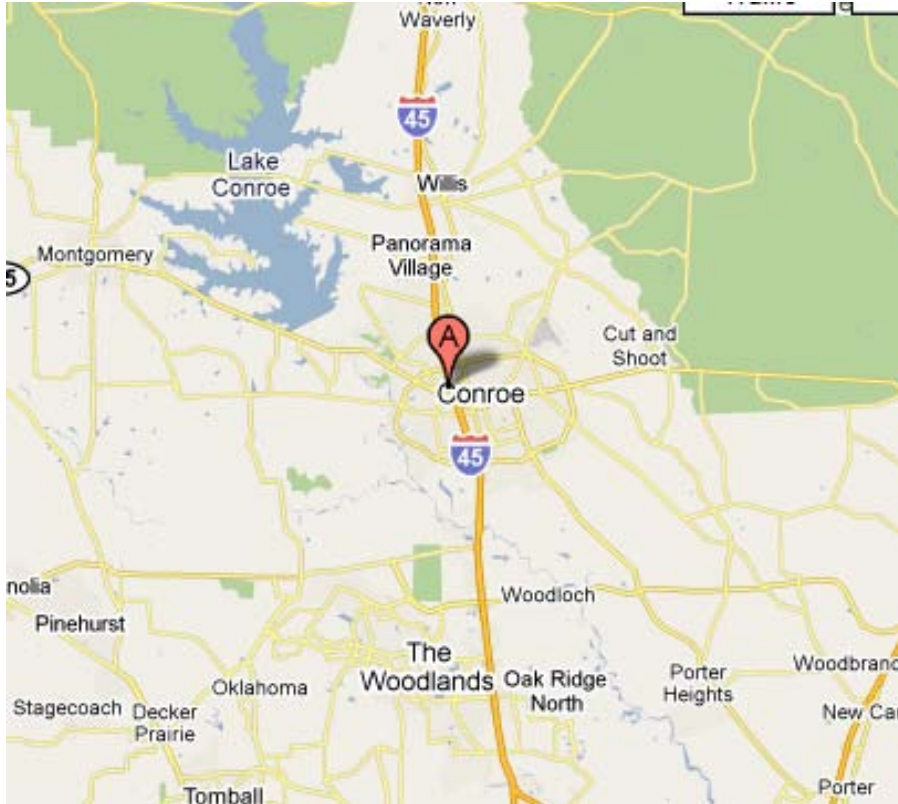
Vehicle Registration Fees E-470 Toll Road (CO)

Considerations

- State enabling legislation specifically tailored to the project and local voter approval by Adams, Arapahoe, and Douglas Counties for vehicle registration fees assisted in financing E-470
- The local vehicle registration fee can be collected without regard for continuing a statewide motor vehicle registration fee
- The vehicle registration fee provided a stable source of funds to close the funding gap exacerbated by the regional recession

Using a local option revenue source to complement private toll-based financing

Pass-Through Payments Montgomery County (TX)



Source: <http://maps.google.com>

Background

- Montgomery County, Texas received the first commitment of pass-through funds to accelerate congestion relief projects within the State of Texas
- For the initial construction phase, the County was responsible for debt service associated with the tax-supported road bonds
- For this purpose Montgomery County issued Unlimited Tax Road Bonds
- Although the Bonds are payable from the County's general fund, TxDOT reimburses the County for road traffic based on a pass-through payment formula
 - Upon opening, TxDOT pays a fee per vehicle-mile traveled
- Innovative features of this financing include:
 - Allowing the County to retain design and development control of the project and accelerate infrastructure development needs
 - Combining the strength of the County's general obligation credit with cash flow reimbursement from TxDOT based on project usage

Pass-Through Payments

Montgomery County (TX)

Program Funding Strategy

- Montgomery County took advantage of an indirect state investment tool to accelerate its priority transportation program

Funding Sources, Phase I

Funding Source	(\$million)	
TxDOT Grants	42.0	Funds reimbursed by TxDOT pursuant to Comprehensive Transportation Improvement Program
County Bonds	61.9	General Obligation bonds of the County, creating eligibility for receipt of future reimbursements
Total	103.9	

Pass-Through Payments in Texas (State-Wide Program)

- County acts as developer
- TxDOT responsible for ongoing maintenance and repayment to the County on a vehicle-mile basis
- County may not impose tolls on the project without TxDOT approval
 - Any tolls must be used to extinguish debt or for operations & maintenance

Pass-Through Payments in Montgomery County

- TxDOT reimburses Montgomery County by paying an annual amount equal to \$0.06 to \$0.10 per vehicle mile traveled in prior year
 - Pre-established range of \$10.5 million to \$17.5 million annually

Pass-Through Payments

Montgomery County (TX)

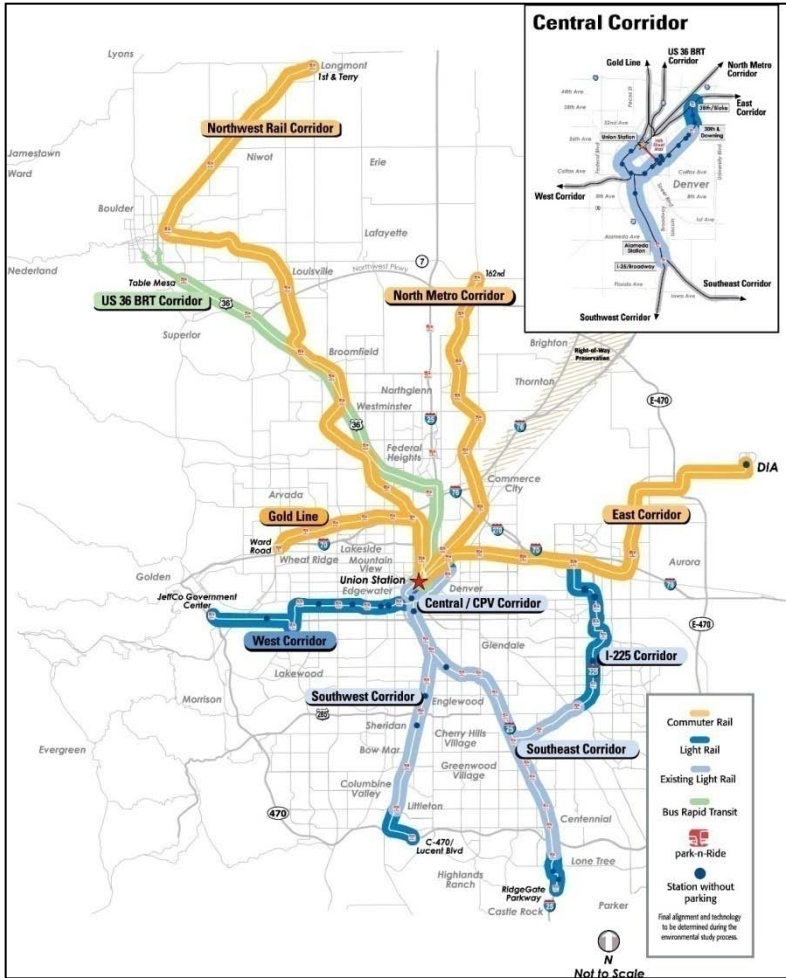
Considerations

- Pass-through payment strategy incentivizes acceleration of most needed congestion-relief projects by reimbursing county sponsors a portion of the project cost based on actual usage of the facility (i.e. less-traveled projects are reimbursed fewer dollars)
- State of Texas offered the pass-through payment program on a statewide basis, as a mechanism for re-programming scarce highway dollars
- Relative to “start-up toll road projects” which may incur inefficiencies in financing against unproven revenue forecasts, raising bond funds directly secured by a pass-through payment mechanism transfers traffic risk to a lender, but not actual payment and collection risk (which would be retained by the pass-through payment sponsor)

State-funded program that accelerates projects aimed at congestion relief

Managing Federal Funding Flexibility

Denver FasTracks Eagle P3 Project (CO)



Source: http://www.rtd-fastracks.com/main_111

Background

- \$6.17 billion comprehensive transit expansion project to build 122 miles of new commuter and light rail, 18 miles of bus rapid transit, 21,000 new parking spaces, and enhance bus/rail connections across an eight-county district
- The FasTracks P3 project includes Denver Regional Transport District's East Corridor, Gold Line, Commuter Rail Maintenance Facility and an initial segment of the Northwest Rail Corridor
 - Phase One includes property acquisition, construction of the East Corridor, construction of a maintenance facility and control center, the purchase of electric multiple unit (EMU) rail vehicles and the electrical systems at Denver Union Station
 - Phase Two includes the 11.2 mile Gold Line and a 2 mile segment of Northwest Rail
- The entire project is scheduled for completion in 2016 under a 34-year DBFOM contract
- Fluor and Balfour Beatty are responsible for constructing and operating Phases 1 and 2 under a guaranteed price, 6.5 year design/build schedule

Managing Federal Funding Flexibility

Denver FasTracks Eagle P3 Project (CO)

Project Funding Strategy

- Develop project in phases, taking advantage of private sector design and construction innovation to lower costs and deliver project years earlier than traditional public model
- Establish flexible finance plan allowing deferral of Phase 2 construction in the event federal funds do not materialize by the expected September 2011 commitment date

Funding Sources

Funding Source	(\$million)	
RTD Contribution	1,144.0	Progress payments for construction and service to be paid out through the course of design and construction
Tax-exempt Private Activity Bonds	397.8	\$317.5 million in term bonds and \$80.325 million in semi-annual serial maturities
Equity	54.2	Denver Transit Partners contribution – 45% each from John Laing and Uberior and 10% from Fluor
Total	1,596.0	

Project Cost Reductions

- RTD will reduce costs through accelerated project completion and guaranteed fixed price contract
- Completion risk on complex project mitigated by Fluor and Balfour Beatty parent guarantees, liquidated damages and structured performance bonds
 - Shortened concession term from 46 to 34 years reduced overall debt service costs by nearly \$1.9 billion
 - Tax-exempt private activity bonds secured by RTD service payments minimize concessionaire cost of capital

Federal Full Funding Grant Agreement Risk

- RTD established phased structure allowing for deferral of Phase 2 in the event federal FFGA funds are not delivered as planned
- Initial Phase 1 costs financed in August 2010, based on expectation of future federal funding
 - 2 alternatives for financing completion of Phase 1 in the event of non-delivery of federal funds: RTD provides additional funding or Concessionaire raises funds based on additional service payments

Managing Federal Funding Flexibility

Denver FasTracks Eagle P3 Project (CO)

Considerations

- Denver RTD pays for its system with a combination of regional sales tax receipts, farebox revenues and federal funds
- Sales taxes are subject to voter referendum; the FasTracks Eagle P3 Project enjoys widespread voter support
- RTD was able to reduce the overall Project cost by over \$2 billion by innovative contracting, concession term shortening and securing price and schedule guarantees from qualified contractors and operators

Example of creative project structuring to address uncertain timing of Federal approvals and funding



LOUISVILLE AND SOUTHERN INDIANA
BRIDGES AUTHORITY

Project Work Plan

Project Work Plan

- Current Authority work plan only addresses update to the IFP
- Many crucial project activities will extend well beyond 12/31
- Comprehensive work plan will address ongoing tasks

