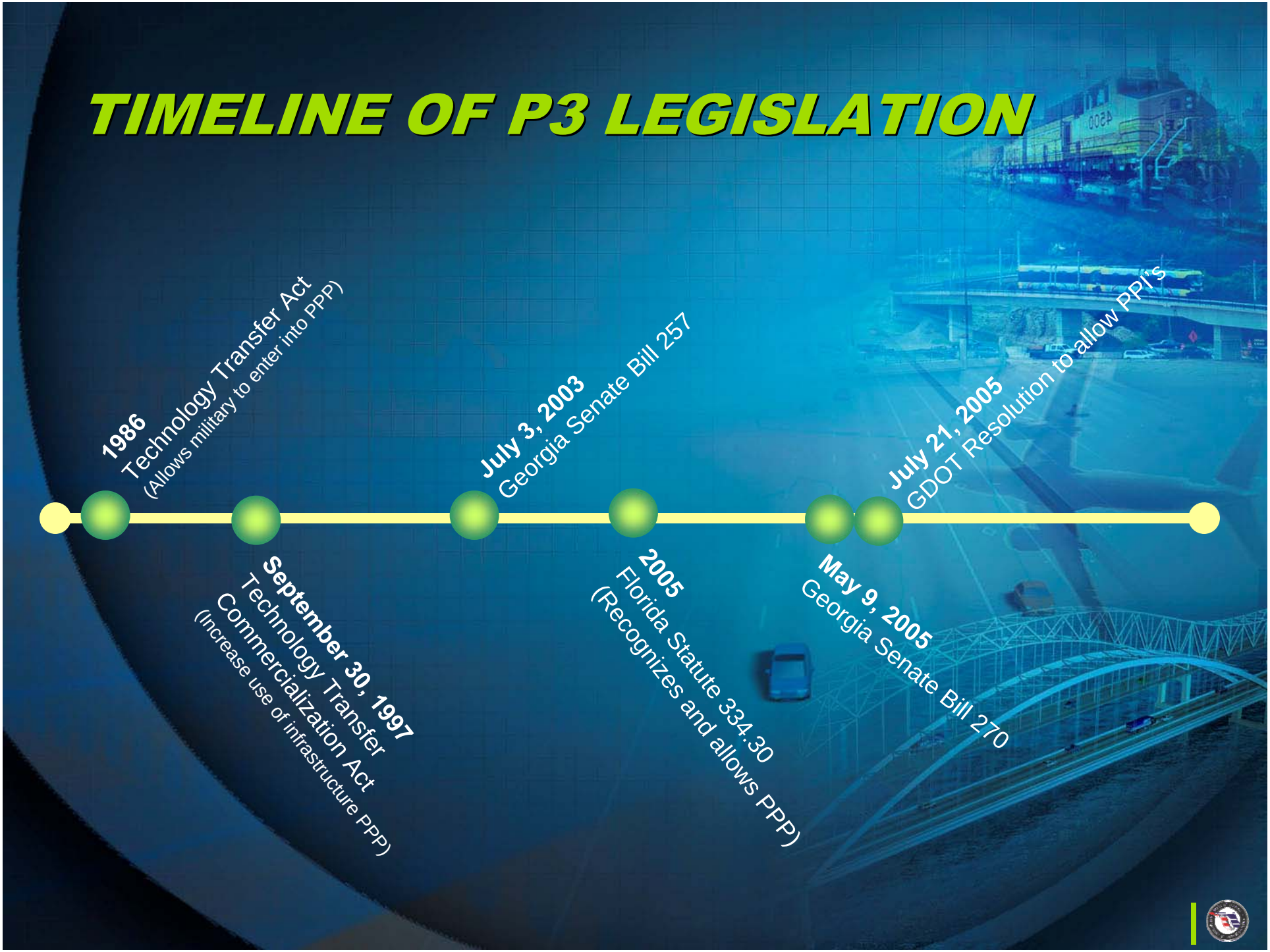

Florida Transportation Commission
PUBLIC-PRIVATE PARTNERSHIPS (P3)

AGENDA

- Current Status in Florida
- Federal Reauthorization/ SEP-15
- P-3 Options Overview
- Key aspects of P-3
- Georgia Status
- P-3 Initiatives
- Project specifics
- Georgia vision for P-3
- Florida vision and commitment to P-3s
- Next steps for Florida


JOHNSON

TIMELINE OF P3 LEGISLATION



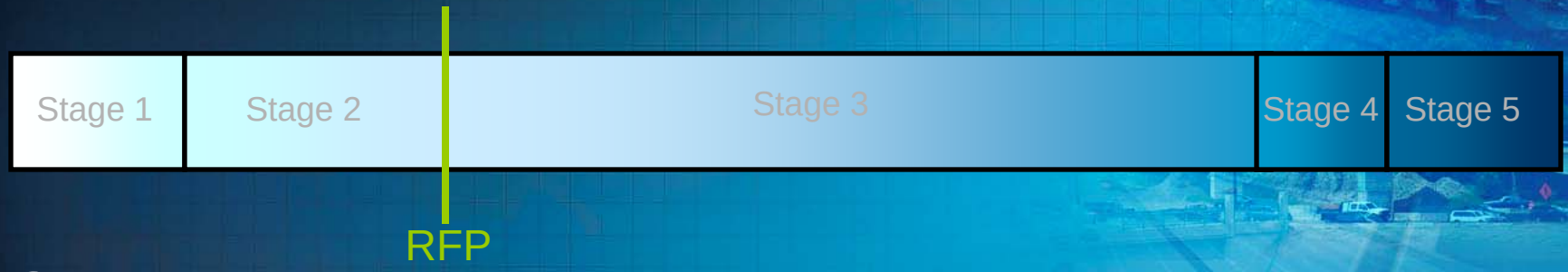
P3 OPTIONS OVERVIEW

1. Tolled roadway could utilize P3's through ***competitive/negotiated RFP process***
2. Tolled roadway could utilize P3's by offering **individual segments of the system for *sale/concession build new or buy asset or 63-20***
3. Tolled roadway could utilize P3's with capital raised through ***public IPO***

WELL-DEFINED PROCESS

- Hire external advisors to run process
  - Wall St. investment firm
  - Highly experienced law firm assist financial firm
  - Progressive engineering expertise
- Clear all political and legal hurdles prior to commencing process
  - Potential bidders will not enter process if risks of no completion are present
- Define type of bidding process up front
  - Use process to refine project, not define it
- Set time table and stick to it

PUBLIC-PRIVATE INITIATIVE PROCESS



Stages:

1. RFQ (2-4 weeks)
2. Bidders Chosen (1-2 months)

RFP Issued

3. Financial submission (4-8 months)
4. Preferred proponent chosen (2-6 weeks)
5. Concession agreement signing
6. Financial close (1-2 months

TOTAL ESTIMATED TIME: 10-14 months

Key P3 RFP Requirements

- Agreements need to include:
  - Tolling Rates
  - Operational Control/Standards
  - Penalties
  - Right-of-Way
  - O&M Requirements
  - Key Assets
  - Environmental Requirements
  - Risk Allocation
  - Handback Requirements
    - Conditions for State Authority to get control of roadway back

CHICAGO SKYWAY - OVERVIEW

- Built in 1950's
- 7.8 miles in length
- 3 lanes in both directions
- Mostly elevated structure
- Completion of $300 million rehab project in 2004
- Manual tolling
- EBITDA (2002): $33 million
- Avg. vehicles per day = 50,000

CHICAGO SKYWAY - PROCESS

• City appoints Goldman Sachs	
• RFQ Issued	March 2004
• City selects qualified bidders (5 out of 10)	May 2004
• Qualified bidders provided access to data room	June 2004
• Bidder provide indicative bid and comments on concession agreement	July 2004
• Final and binding bids submitted	October 2004
• Successful bidder announced	October 2004
• Concession agreement signed	October 2004
• Financial close	January 2005

CHICAGO SKYWAY-TRANSACTION

- City of Chicago sold a 99-year concession
- Competitive process involving 5 qualified parties
- Final sales proceeds = $1.83 billion
- First privatization of an existing toll road in U.S.
- Financing structure used taxable debt (no tax-exempt debt)

- Maximum Tolls (passenger vehicle)

2004:	$2.00
2005:	$2.50
2008:	$3.00
2011:	$3.50
2013:	$4.00
2015:	$4.50
2017:	$5.00

- Post 2017 – Increase at the greater of CPI, GDP per capita and 2%

COMPETITIVE/NEGOTIATED RFP

- State issues RFP for purchase of a long-term concession over particular roadway asset(s)
- Small group of bidders approved and granted access for due diligence
- Comments provided on Concession Agreement
- Single party selected for negotiations of final arrangements

Pros	Cons
Entire system sold and/or built in single sales process	Potential value of highway may exceed market capacity
Simple operational handover	Costly due to diligence process; may discourage bidder participation
Simple to explain to public	Public concern over loss of state ownership

INDIVIDUAL PARTS OF SYSTEM

- Determine optimal number of segments to divide
- State authority issues RFP for purchase over individual segments
- Small group of bidders approved and granted access for due diligence
- Comments provided on Concession Agreement
- Final and binding offers for each segment

Pros	Cons
Smaller size likely to attract more bidders	Time consuming process, greater management needed
Provides operating oversight benchmarks	Greater separation & integration challenges
Diversified ownership	Scrutiny by public

INITIAL PUBLIC OFFERING (IPO)

- Strategic investor would hold controlling interest in the asset (51%) – competitive sale as per Option 1
- The remaining interest (49%) would be offered as IPO
  - Possible special allocation to State residents and State pension funds

Source of Capital	%
Strategic Investor	51
IPO	49
Total Sources	**100**

Pros	Cons
Single asset sale	IPO process = lots of public scrutiny
Special allocations = dividends stay within the State	US market for listed toll roads immature
Smaller private investment attracts larger pool of strategic bidders	IPO process time consuming


CHANCE

Georgia General Assembly

SENATE BILL 257
July 3, 2003

Public-Private Transportation Legislation (SB 257) is an amendment to existing law that allows private entities to submit unsolicited proposals that are:

- Unique and innovative (including, but not limited to financing, construction, design),
- Not substantially similar to programs already in the STIP, or
- If similar to existing program(s), program(s) not fully funded,
- **Independently originated and developed,** and
- Provide public benefit.

Georgia General Assembly

SENATE BILL 270

May 9, 2005

Public-Private Transportation Legislation (SB 270) was signed into law amending previous legislation as follows:

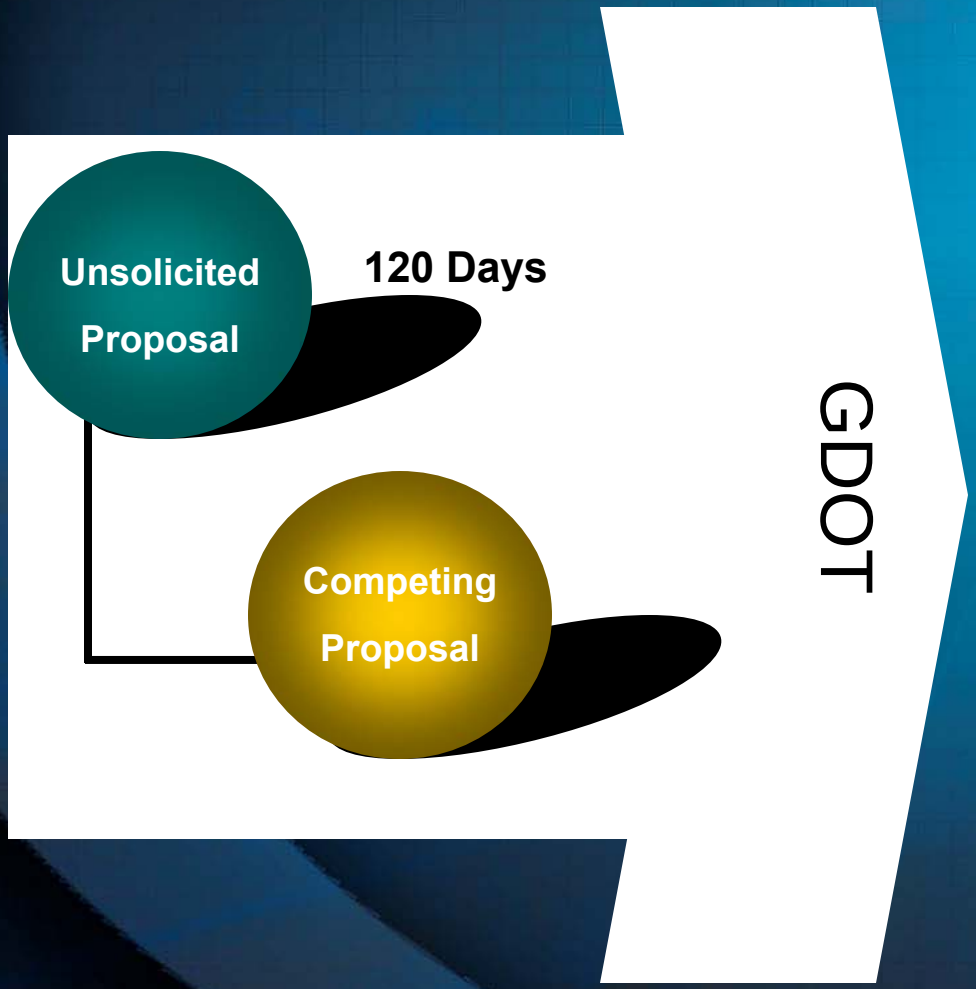
- Provides GDOT with the authority to solicit public-private proposals
- "Authorizes GOT to establish non-profit corporations (63-20) to develop privately funded projects."
- Extends time for submitting competing proposal from 90 days to 135 days
- Requires 100% Performance and Payment Bond
- Establishes an evaluation committee including a Governor's designee, Governor's designee with a financial background, SRTA Director and GRT Director

July 21, 2005

Georgia Department of Transportation Board of Directors Resolution provides the following guidance:

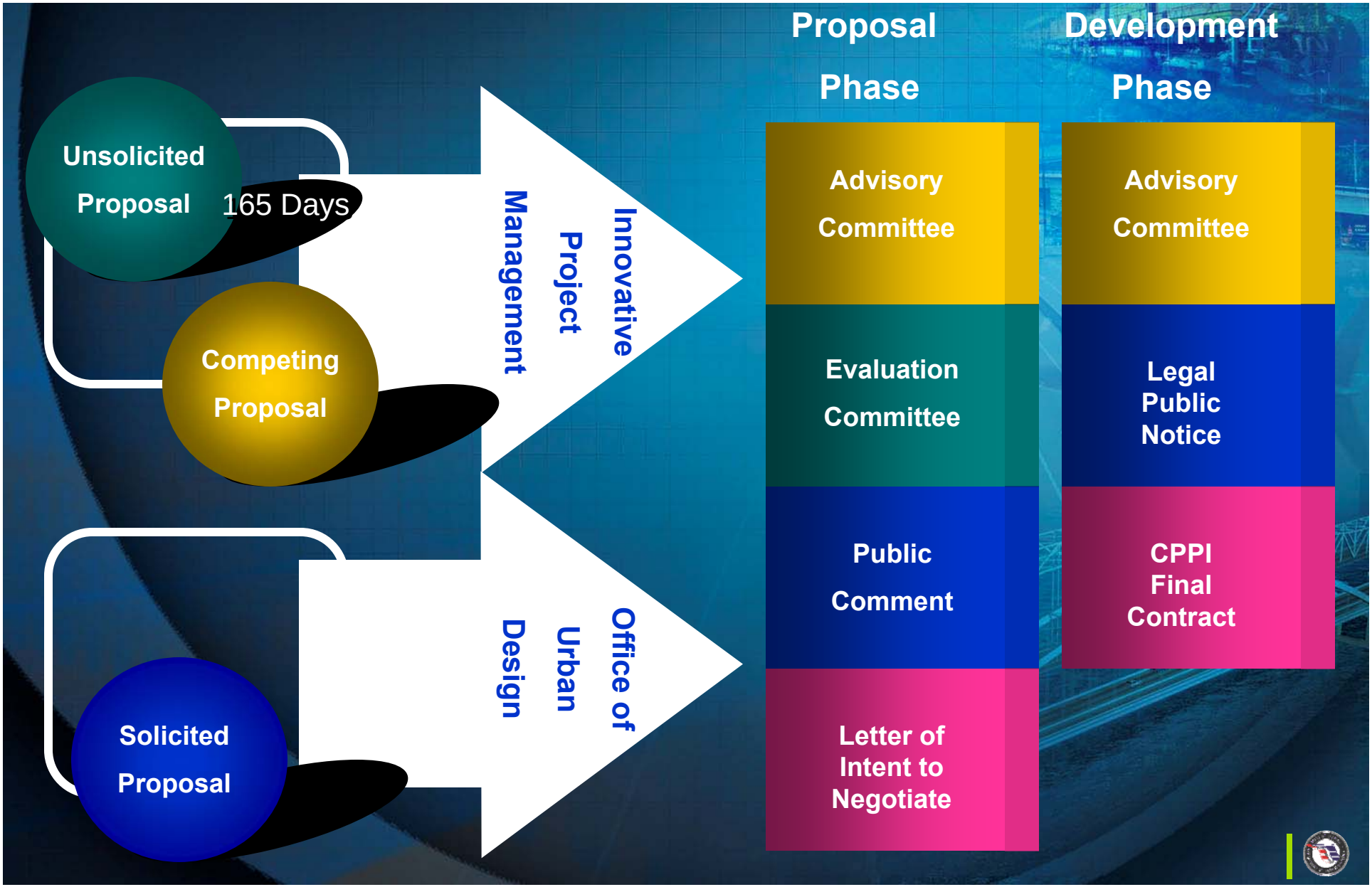
- Endorses GDOT's use of PPI as a tool to fund state transportation projects,
- Encourages GDOT to aggressively solicit PPI proposals from the private sector,
- Establishes a policy that all existing general purpose lanes shall remain free when utilizing PPIs,
- Instructs GDOT to establish a policy that all managed lanes (HOV, HOT, TOT) be barrier separated,
- Instructs GDOT to initiate a statewide truck route study, including a detailed analysis of TOT lanes, and
- Instructs GDOT to propose statewide templates for HOV, HOT, TOT and other managed lane projects

SB 257 PUBLIC-PRIVATE INITIATIVES PROCESS



Proposal Phase	Development Phase
Initial Review Committee Evaluation	Public Notice
Public Notice	Advisory Panel Negotiation and Recommendation
Advisory Panel Evaluation	Commissioner's Recommendation
Notice To Legislative Trans. Committee	State Transporation Board Approval
Board Approval of Commitment Agreement	Financial Close/Final Contract Award

SB 257 PUBLIC-PRIVATE INITIATIVES PROCESS



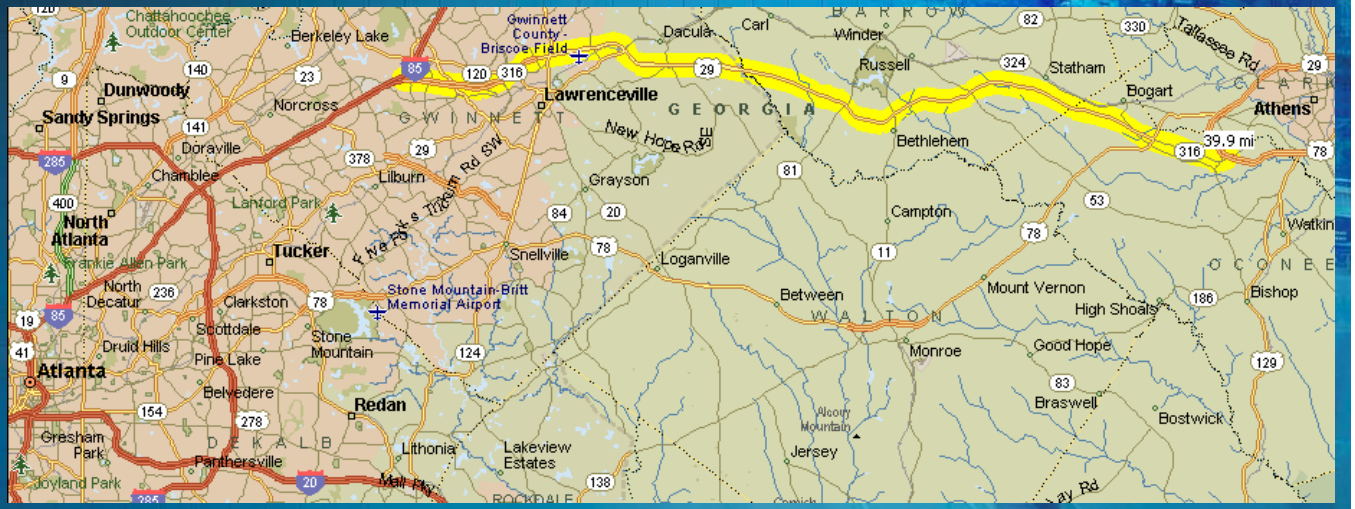

SHELOR

SR 316 – University Parkway

Submitting Team/Date: The Parkway Group/ 1/04

Public Need:

- Safety
- Congestion
- Projected Area Growth
- Economic Development



Solution Proposed:

- Limited access tolled freeway-type roadway to:
  - Significantly reduce the number of accidents and fatalities
  - Shorten travel times by reducing congestion, eliminating traffic lights and facilitating increased use of carpools, vanpools and transit
  - Accelerate development and construction through use of private funding
- Requires no public sector funding

Status:

- Project deferred by Team until a mutually acceptable future date due to GDOT resolution ban on tolled free lanes and early lack of public acceptance
- Exploring alternatives to tolling entire roadway

Northwest Corridor – I-75/I-575

Submitting Team/Date: GA Transportation Partners/ 11/04

Public Need:

- Rapid congestion relief
- Increased capacity
- New transportation options
- New sustainable development patterns

Solution Proposed:

- Express toll lanes on I-75/I-575
  - Buses at no charge, Cars at variable toll
- Truck-Only Toll Lanes on I-75
  - Mandatory for “through-trucks” with three or more axles
- Requires TIFIA loan and state funds

Status:

- GDOT Engineering, Financial, Legal/management and Community Awareness Taskforces reviewing
- Anticipate recommendation of a Letter of Intent to Negotiate in Fall 2005

GA 400 Crossroads Region

Submitting Team/Date: Crossroads 400 Group/ 12/04

Public Need:

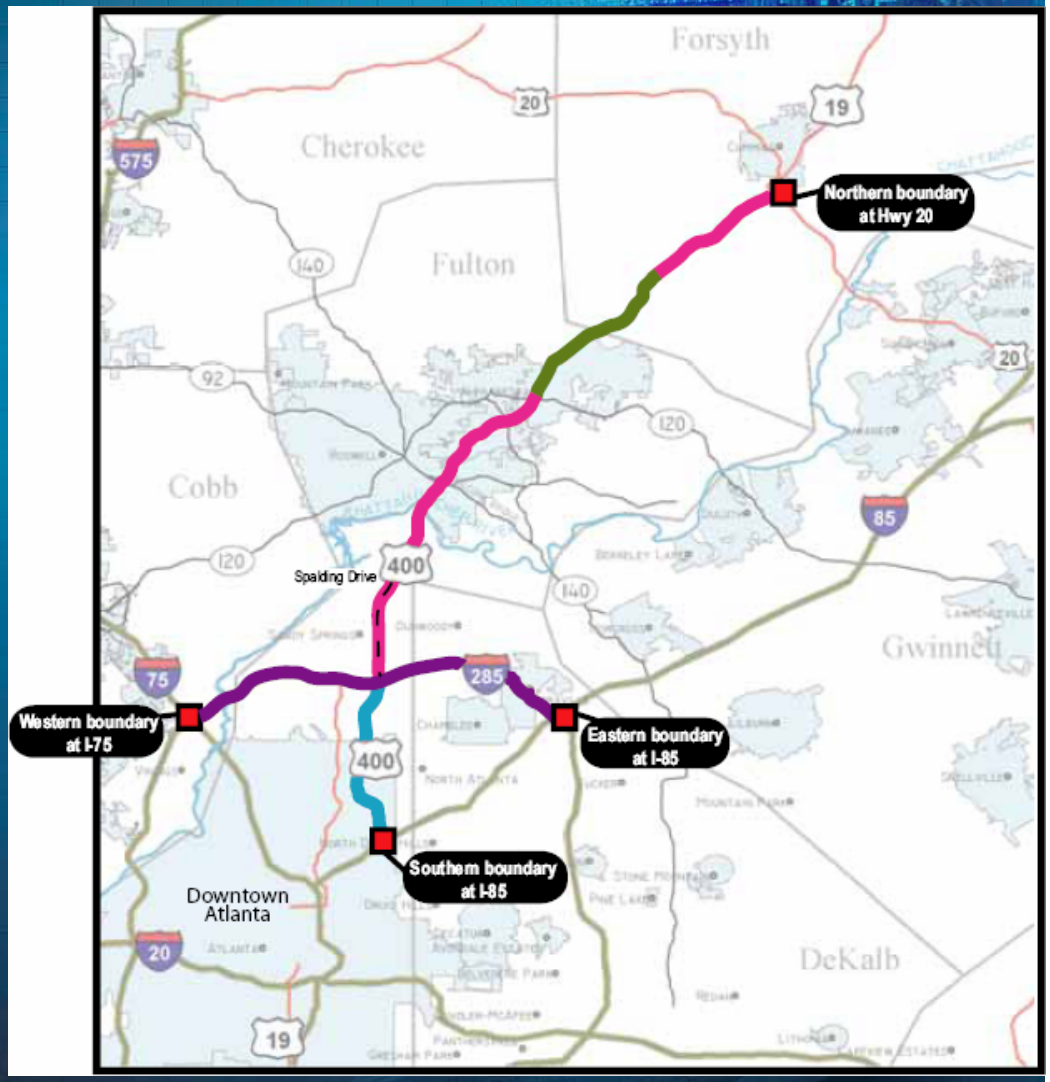
- Severe traffic congestion
- Insufficient transportation funding
- Unsafe roadway conditions
- Road improvements now, not later
- Lack of east/west connectivity for GA 400 commuters

Solution Proposed:

- HOV/HOT lanes to increase use of carpools, vanpools and bus transit
- Free HOV lane alternatives
- Initially 100% Private Funds

Status:

- 4 GDOT Task Forces reviewing
- Anticipate recommendation of Letter of Intent to Negotiate Fall '05
- Finance plan under development
- Developing HOT lane alternative to conform to GDOT resolution



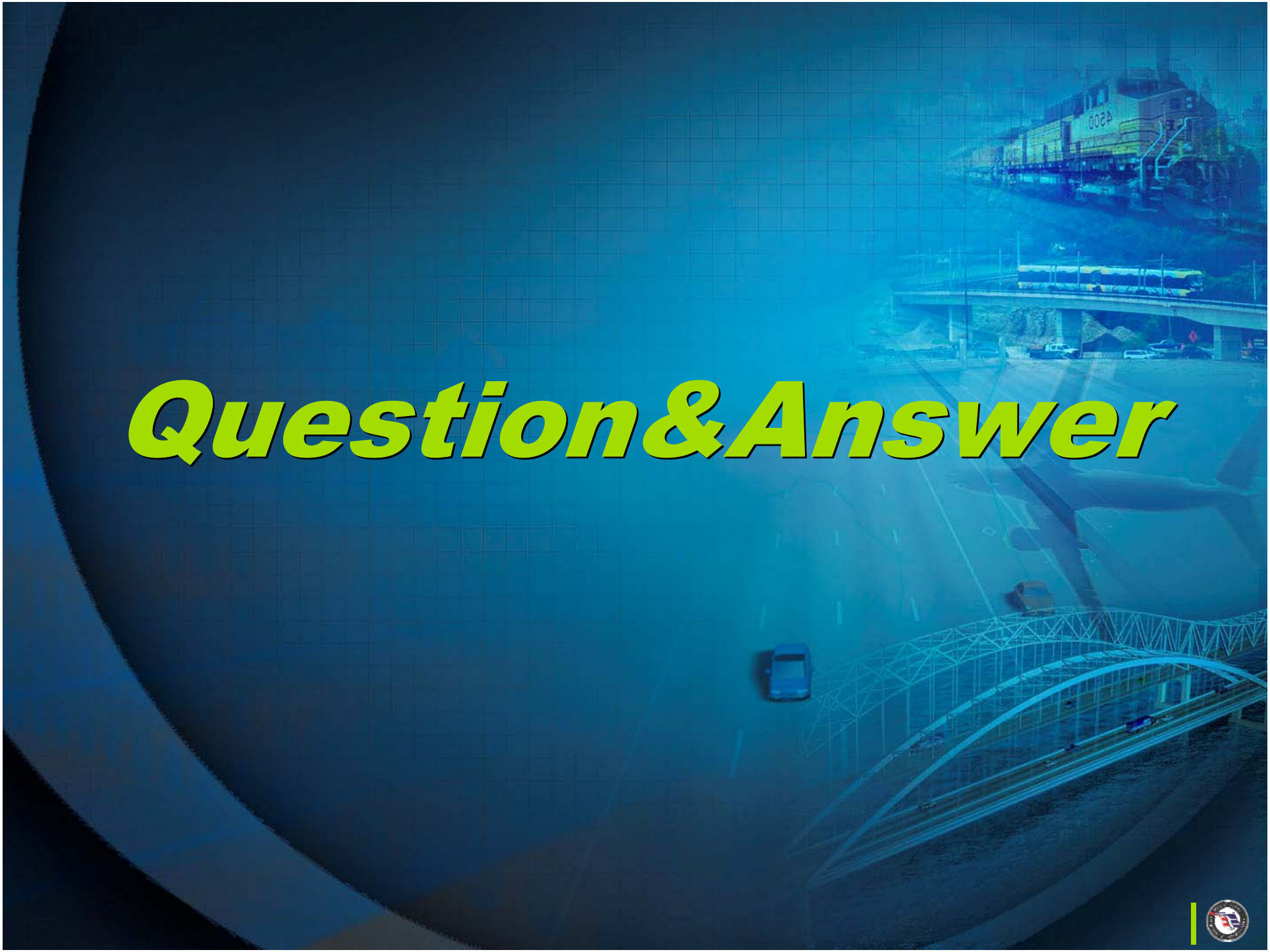
GDOT Vision for P3's

- Endorse the use of P3's in general as a tool to fund appropriate projects
- Aggressively solicit proposals for appropriate P3 projects
- All existing general purpose lanes on interstates and major state routes to remain free and managed lanes will be barrier-separated when utilizing a P3
- GDOT staff will initiate and lead a statewide truck route study to include a detailed analysis of Truck-Only Toll Lanes
- GDOT staff will generate a template for all P3's to follow
  - Identify where TOT, HOT, HOV, ETL lanes will be used regionally
  - Define where these lanes will be used geometrically within a typical section


BECK

FLORIDA NEXT STEP RECOMMENDATIONS

- Establish clearly defined rules
  - Rules need flexibility in evaluation process
  - Workshop draft rules with the industry
  - Florida Transportation Commission input and review of rules
- Establish reporting structure
  - Establish a separate section in DOT reporting to the Secretary or the Assistant Secretary for engineering and operations. Do not have districts oversee the process in the initial stages.
  - Utilize private engineering firm as the general engineering consultant to administer the program with the utilization of a financial analyst group.
  - Review by the Florida Transportation Commission of the program at least annually.
- Generate private industry interest / be pro-active in the P3 market


Question&Answer


BASEMENT
(Q/A Purposes)

FUTURE ROLE OF FDOT

- Shift away from being an asset manager
- Take responsibility of contract administrator/regular
  - Regulation of operating standards
  - Contractual enforcement and oversight
- Employees could be transferred to new concession owners

TOLLING RATES

- Direct Tolls
  - Concessionaire collects tolls
  - Amount of toll revenue dependent on traffic volume
- Shadow Tolls
  - Concessionaire compensated by State Authority
  - Payment mechanisms include:
    - Availability charges
    - Traffic charges
    - Safety charges
    - Terminal payment

DIRECT TOLLING REGIMES

- As part of the final Concession Agreement, direct tolling structure will have an impact on total transaction value
- Direct tolling regimes can be structured in many ways, but major alternatives are as follows:

1) Toll rates grow at a base rate + adjustment factor

Example: CPI: 2.5%
Adjustment Factor: 0.5%
Total Growth Rate: 3.0%

2) Toll rates grow by fixed amount at certain dates

2005	2.00	--
2006	2.25	+.25
2007	2.75	+.50
2008	2.85	+.10

3) Toll rate growth is flexible

SR 125 - PROCESS

• Egis/pb Consortium awarded concession by Caltrans	1989
• Delays due to environmental and permitting issues	1993-2000
• TIFIA application approved	2000
• Macquarie Infrastructure purchased majority of EGIS/PB interest in company	Sep 2002
• Financial close/ground breaking	May 2003
• Anticipated opening	2006
• Concession ends	Start of Operations +35 yrs

PRIVATE SECTOR EQUITY vs. TAX-EXEMPT DEBT

Equity and Taxable Debt: 8-9% (post tax)

More expensive <u>but</u> values the surplus cash flows

Tax-Exempt Debt: 4-5% (post tax)

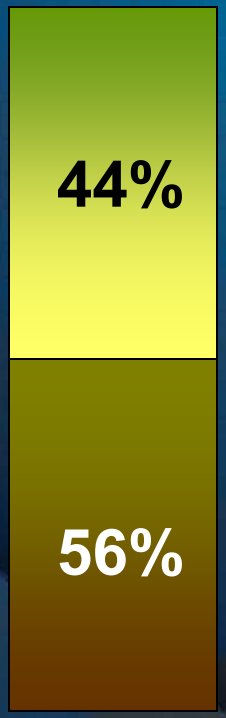
Cheaper <u>but</u> can't value the surplus cash flows

<u>Equity vs. Tax-Exempt Debt</u>

- Depends on number of factors
- The amount of surplus cash flows is a key determinant

PRIVATE SECTOR EQUITY vs. TAX-EXEMPT DEBT

- Investment grade toll road revenue bonds require coverage ratios of between 1.5 and 2
  - Assume 1.80 on day one cash flow



Post Debt Service Surplus

Senior Debt Service

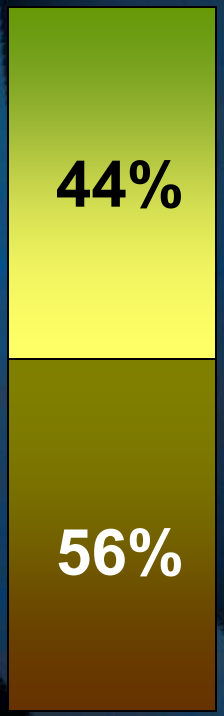
Pricing of Capital

14% Surplus or Equity Flows

8% Subordinate Bonds

6% Senior Bonds

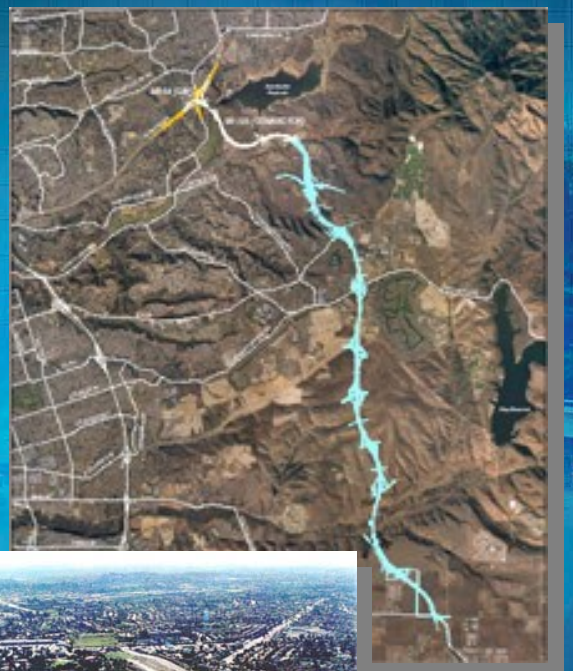
PRIVATE SECTOR EQUITY vs. TAX-EXEMPT DEBT

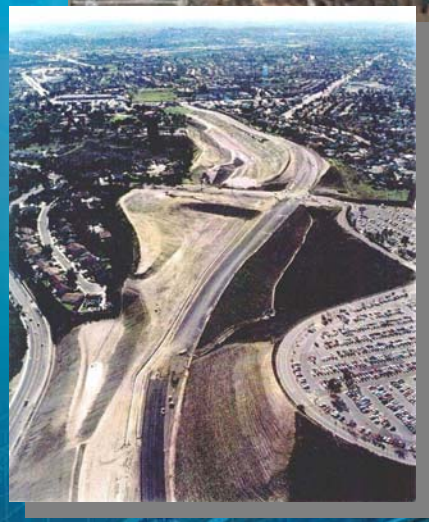


	Pricing of Capital	WACC	Tax-Exempt Debt
Post Debt Service Surplus	14% (post tax)	8-9% (post tax)	4-5% (post tax)
Senior Debt Service	6% (pre tax)		

SR 125 - OVERVIEW

- SR 125 South Toll Road, San Diego, CA
- Total cost $820 million
- 18 km – 4 lanes in ea. direction
- Flexible toll setting
- Opening late 2006
- Significant congestion reliever
- Strong demographic growth
- First ever TIFIA concessional loan for toll road development in US





PARTNERSHIP **(pärtʹnər-shĭp)**

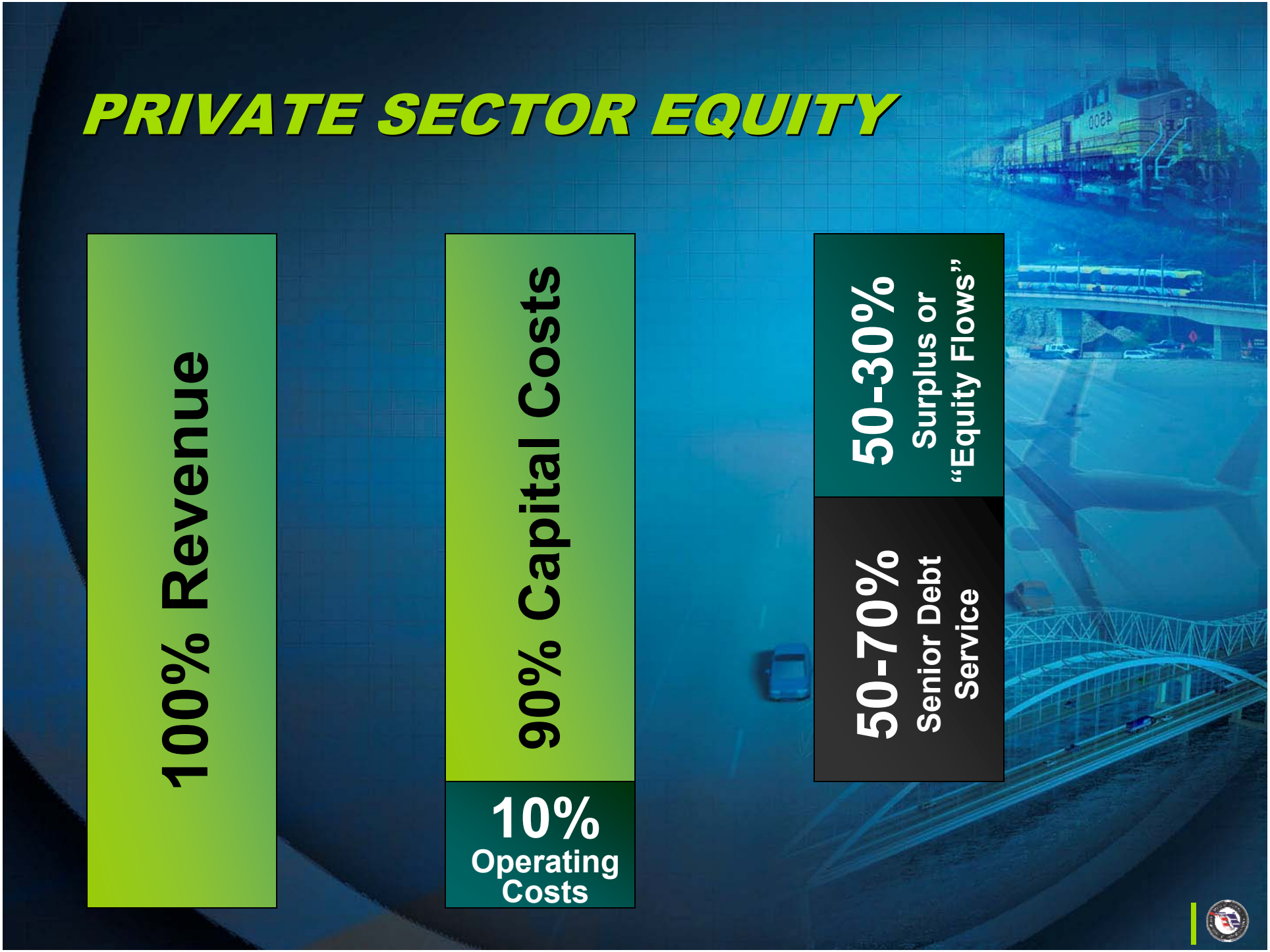
n. 1) The state of being a partner.

2) a. A legal contract entered into by two or more persons in which each agrees to furnish a part of the capital and labor for a business enterprise, and by which each shares a fixed proportion of profits and losses.

b. The persons bound by such a contract.

3) A relationship between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal: Neighborhood groups formed a partnership to fight crime.

PRIVATE SECTOR EQUITY



SHADOW TOLL STRUCTURE

- No direct payments made by users of the road
- Government payments made directly to Concessionaire
- Payments supported by traditional tax receipts
- State authorities can adjust risk profiles by adjusting weight of each of the following payments:
  - Availability – payment for having traffic lane available
  - Traffic – payment based on traffic volumes
  - Safety – payment for maintaining roadway to safety standards
  - Terminal – payment at end of concession agreement

OPERATIONAL CONTROL/STANDARDS

- Part of Concession Agreement outlining role of concessionaire authority over toll road
- Operating standards to which the concessionaire must adhere to are spelled out
  - Who will operate the road?
  - What party will be responsible for ongoing operating costs?
  - Who qualifies as a replacement operator?
  - What are the assumed liabilities?
  - What are the State's rights to inspect the roadway?

OTHER COMPONENTS OF CONCESSION AGREEMENT

- Penalties
  - e.g. Penalties for not having all lanes open
- Right-of-Way
- O&M
- Key Assets
- Environmental Requirements
- Risk Allocation
- Handback Requirements
  - Conditions for State Authority to get control of roadway back

VALUATION - OVERVIEW

- Amount of capital dependent on multiple factors
- Key drivers of value:
  - Tolling regime
    - The more flexible, the higher the transaction value will be
  - Length of concession agreement
    - The longer the concession agreement, the higher transaction value will be
  - Traffic volumes
    - The higher traffic volumes and/or traffic forecasts, the higher the transaction value

VALUATION METHODOLOGY

- Discounted Cash Flow Analysis
  - Calculate projected free cash flows
  - Discount cash flow at expected cost of capital
- EBITDA Multiple Analysis
  - Calculate projected EBITDA
  - Apply a multiple based on market expectation

Example:

Project	EBITDA	Multiple range	Value Range ($M)
Skyway	40	10x-50x	$400-$2,000
407	100	10x-50x	$1,000-$5,000