VDOT

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U. S. Route 460 Corridor Improvements

Independent Review Panel Meeting - April 9, 2007

Presentation Overview

- General Summary & Key Terms
- Overview of Each Proposal
- Summary Matrix

General Overview & Key Financial Terms

General Summary

- Each use the CTB's recommended build alternative with slight design modifications for their base case.
  - Each presents alternatives to their base case.
- Each involve implementing tolls on the facility.
  - All have stated that tolls alone will be insufficient to support the project and seek public funding.
  - The April 2005 Parsons Toll Feasibility Study suggests 57% can be toll financed.
- Each contemplates pay-as-you-go public sector funding to help finance the base case.
- Each contemplates the issuance of significant debt through instruments as TIFIA loans, private activity bonds, equity financing.

General Summary, cont'd

- Each assume some responsibility for operations and maintenance by way of a concession agreement.
- Each assume a special purpose entity (SPE) will be created to enter into the concession agreement.
- Each assume that the Commonwealth (VDOT) will assume some risks and project work.

Base Case Comparison
Estimated Project Cost (2006 $)

Task	Cintra	Itinere	VCP
Total	$1.051 Billion	$1.550 Billion	$1.536 Billion
Roadway	$480.0 Million	$1.171 Billion*	$840.0 Million*
Bridges & Structures	$250.0 Million	*	*
ROW & Utility Relocation	$ 88.1 Million	$131.0 Million	$ 71.0 Million
Toll Facilities/Collection	$ 58.2 Million	-	$ 38.0 Million
Design/Construction Administration	$ 66.8 Million	$175.0 Million	**
Contingency/Miscellaneous	$ 108.1 Million	$ 73.0 Million	$586.0 Million**
		* Lump Sum	* Lump Sum ** Design Included

Key Financial Terms

- Concession – a long-term lease of a public asset to a private operator.

- Special Purpose Entity - SPE - common in P3s and concessions
  - Isolates parent company and VDOT from financial risk by segregating activities related to the acquisition, financing and operation of the specific asset – in this case, Route 460. In the event of a parent company default or adverse credit event, the SPE offers some protection.

  - Certain financial risks associated with SPEs – without parent guarantee, considerable risk if something goes wrong with project because there is little or no recourse by VDOT. VDOT would seek parent guarantee, require performance and payment bonds, as well as specific levels of liquidity be maintained prior to distribution of profits to mitigate.

Key Financial Terms, cont'd

- **TIFIA** – the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) can provide three forms of credit assistance: secured (direct) loans, loan guarantees, and standby lines of credit. The TIFIA credit assistance cannot exceed 33 percent of the project's eligible costs. It is a taxable financing though at advantageous rates. In addition, TIFIA requires an investment grade rating on the senior bonds, and any loan must be repaid within 35 years.

- **Private Activity Bonds** – PABs –are tax-exempt bonds that are allocated by the Secretary of Transportation to privately developed and operated projects. The national limit on PABs for highway and freight transfer facilities is $15 billion. Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly, enhancing investment prospects.

Key Financial Terms, cont'd

- **Availability Payments** - Payments made by the public sector typically in exchange for the facility being kept at a certain performance level, to replace the payment of tolls by citizens (referred to as shadow tolls) or as annual contributions to the project. Typically when used, the public sponsor requires penalties and provides bonuses for the private concessionaire achieving certain performance levels such as safety/accident occurrence and roadway availability. The payments can provide gap financing, cap the public sector's exposure, and reduce debt requirements.

Financial Proposal Overview - Cintra

Cintra

- Cintra has arranged a consortium with Ferrovial Agroman, S.A., Earth Tech and Maunsell.
- Ferrovial Agroman is a sister company of Cintra and both are subsidiaries of Grupo Ferrovial S.A.
- Cintra was created by Grupo Ferrovial in 1998 for concession bidding and management; the company's net working capital varies as it acquires more concessions/refinances/debt issuances.
- Cintra will be the consortium leader and major equity member through Cintra US Corporation.
- Cintra has no credit rating from the three rating agencies.
- Ferrovial Agroman will serve as general contractor.

Cintra's Financial Plan

- Financial Plan proposes a 50-year concession with funding from public funds; taxable, SPE long-term bank financing; maximum TIFIA junior debt; equity contributions and other subordinate debt.

Sources of Funds:

Public Funds	$ 174.5 million
Equity Funds	$ 406.7 million
Senior Bank Debt	$ 410.0 million
TIFIA Loan	$ 450.0 million
	$1,441.2 million

Cintra's Financial Plan, cont'd

- The $1,441.2 million is used as follows:

Construction & Development	$ 1,163.8 million
Operating	$ 50.0 million
Other Capital Expenditures	$ 57.3 million
Financial Expenses and Fees	$ 80.9 million
Asset Renewal Reserves	$ 50.0 million
	$1,441.2 million

Cintra's Financial Plan, cont'd

- Cintra will be the equity investor and is responsible for securing all funds necessary to finance project.

- Toll rates start at 10¢ per mile for light vehicles and 50¢ per mile for heavy vehicles.

  - Tolls adjusted annually based on growth rate of Virginia's nominal gross state product per capita.

- The Plan proposes both manual and automated toll system – manual and electronic toll systems, with complete intelligent transportation system integration.

Cintra's Financial Plan, cont'd

- The $174.5 million in public funding is assumed to be available in annual increments on a pro-rata basis based on the project's construction schedule
- The annual increments range from a low of $3 million to a high of $62 million

Cintra's Financial Risk Allocation

Cintra

- Investment of equity - $406.7 million – (28% of proposed financing).
- Perform detail traffic analysis and revenue forecasts.
- Arrange financing.
- Perform all operations and maintenance.

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- Invest public funding (12% of proposed financing).
- Provide assistance with state, local and federal governments.
- Pay damages for change in law, competing facilities and termination for convenience.

Cintra does not include a parent company guarantee but there are performance bonds.

Cintra should have access to equity markets to raise the proposed capital; however, because its business is concessions that makes its company assets closely tied to other SPEs already in its portfolio.

Financial Proposal Overview - Itinere

Itinere

- Itinere is part of the Sacyr Vallehermoso Group and will serve as developer, operator and project manager and will be entering into any interim or comprehensive agreement.
- Itinere has no credit rating from the three rating agencies.
- Sacyr S.A.U. and Shirley Contracting will serve as prime contractors.

Itinere's Conceptual Proposal

- Financial Plan proposes a 60-year concession with public funding; taxable, SPE long-term bank financing; TIFIA debt; equity contributions and other subordinate debt.

Sources of Funds:

Bank Debt or PABs	$ 476.8 million
TIFIA Loan	$ 143.6 million
Equity Investment	$ 98.3 million
Investment Earnings	$ 173.9 million
Committed Public Funds	$ 321.0 million
Uncommitted Public Funds	$ 734.7 million
	$1,948.4 million

Itinere’s Financial Plan, cont’d

- The $1,948.3 million is used as follows:

Design & Construction	$ 1,859.2 million (YOE)*
Debt Service Reserve	$ 23.8 million
Credit Enhancement Costs	$ 29.0 million
Rate Stabilization Fund	$ 23.8 million
Issuance Costs	$ 12.4 million
	$1,947.2 million

*year of expenditure dollars – assumes 3.5% escalation

Itinere's Financial Plan, cont'd

- Itinere will be the equity investor of $98 million or 5 percent of the estimated cost; with repayment of the investment including a 12 percent return.
  - The equity investment will be made during construction.
- The plan includes $144 million in TIFIA financing or less than 8% of the project cost versus the 33% allowed.

Itinere's Finance Plan

- The toll rates are based on the Route 460 Toll Feasibility Study completed in 2005 and would begin at 24 cents for passenger vehicles

- Itinere proposes free flow tolling with no lane dividing barriers or toll booths with VDOT collecting and enforcing the tolls.

Itinere's Financial Plan, cont'd

- More than $1 billion of the proposed funding is from public funds –
  - $321 million is described as "committed public funds" based on the Hampton Roads Planning District Commission's Toll Feasibility Study; to date, this funding does not exist.
  - Another $735 million in public funds are needed according to their proposal.
- The $321.0 million in committed public funding is assumed to be available in annual increments on a pro-rata basis based on the project's construction schedule.
- The $734.7 million in additional public funding is assumed to be available prior to financial close and leveraged on a tax-exempt basis. Itinere's proposes that the $734.7 million be generated by issuing 40-year debt backed by $51.5 million in annual revenue.

Itinere's Financial Risk Allocation

Itinere

- Investment of equity - $98 million or 5%.
- Perform detail traffic analysis and revenue forecasts.
- Secure financing for project.
- Perform all facility maintenance (but not toll collection and enforcement).

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- Invest public funding - $1 billion or 54.2%.
- Coordinate toll collection and enforcement.

Itinere does not include a parent company guarantee nor does the proposal include provisions for any payment or performance bonds.

Itinere should have access to equity market for its investment; however, because its business is concessions that makes its company assets closely tied to other SPEs already in its portfolio.

Financial Proposal Overview - VCP

VCP

- Virginia Corridor Partners (VCP) is a joint, equal share venture of Macquarie Investment Holdings and Skanska; the companies will be jointly and severally liable for the project.
- Macquarie Bank (not Investment Holdings) is rated A+/A2/A by the rating agencies.
- Tidewater Skanska and Lane Construction will be the design/build contractor.

VCP’s Financial Plan

- The proposal includes an in-depth discussion of various financial plan alternatives. The base case proposes a 50-year concession financed with TIFIA debt; equity contributions and private activity bonds.

Sources of Funds:

Private Activity Bonds	$1,849 million
TIFIA Loan	$ 219 million
Equity Investment	$ 363 million
	$2,432 million

VCP's Financial Plan, cont'd

- The $2,432 million is used as follows:

Design & Construction	$1,913.0 million*
Reserves & Financing Costs	$ 248.0 million
Interest	$ 271.0 million
	$2,432.0 million

*includes $377 million in construction cost escalation between 2006 thru 2010.

VCP's Financial Plan, cont'd

- Macquarie and Skanska will equally invest in the project - $363 million or 15% of the cost. The rate of return to investors is proposed to escalate from 11.6% to 16% in year 10. No overall rate is specified.

- The equity contribution is proposed to occur at the end of construction.

- The toll rates are based on the Route 460 Toll Feasibility Study completed in 2005.
  - The maximum toll for a passenger vehicle is $11.90.

VCP's Financial Risk Allocation

VCP

- Investment of equity.
- Secure financing for project.
- Offer rolling, $200 million maximum, performance and payment bonds.
- Foregoes a non-compete clause.
- Perform all facility operation and maintenance.

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- Guarantee a fixed escalation rate for certain expenses.
- Provide owner controlled insurance program.
- Assume all cost with local road disturbance.
- Provide a minimum guarantee of Port traffic increases.

VCP will be jointly and severally liable under the agreement but the proposal does not specify a parent guarantee.

Both companies should have access to capital to finance their proposed equity contribution.

Summary Matrix

Base Case Comparison
Sources of Funds

	Cintra	Itinere	VCP
Total Financing	**$1.441 Billion**	**$1.948 Billion**	**$2.432 Billion**
Total Construction Cost	**$1.052 Billion**	**$1.550 Billion**	**$1.536 Billion**
Equity Investment	$406.7 million	$ 98.3 million	$363.0 million
Investment Earnings	-	$173.9 million	-
Bank Debt	$410.0 million	$476.8 million*	-
TIFIA Debt	$450.0 million	$143.6 million	$219.0 million
Private Activity Bonds	-	may be used	$1.849 billion
Public Investment	$174.5 million	$1.056 billion	Not identified
Term of Concession	50 Years	60 Years	50 Years

*Itinere $476.8 million in debt is described as "project revenue debt" which will be either taxable bank debt or tax-exempt PABs or a combination

Base Case Comparison
Other Financial Factors

	Cintra	Itinere	VCP
Financial Assessment	good	okay	very good
Parent Guarantee	No	No	No
Performance Bond	Yes	No	Joint and severally liable
Payment Bond	No	No	No
Revenue Sharing	No	No	No
Concession Payment	No	No	No
Base Case Alternatives	Yes Add I-64 portion	Yes Add SEP&G	Yes Alt. Financing

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