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Blending Funding Sources Transportation Finance & Road Usage Charging Conference

1. FirstSouthwest Company Transportation Practice
2. Shortfall in Transportation Funding
3. TIFIA Gap Funding Tool
 - History
 - Funding Levels
 - Loan Structure
 - Cost of Funds
 - Portfolio Overview
 - Industry Notes

FirstSouthwest Overview

Trusted Leader in Public Finance

- A leader in public finance since 1946 with a national presence
- Involved in, on average, 22 deals per week
- Public finance is our core business
 - *The Bond Buyer* reports that FirstSouthwest's financial advisory business increased more than 40% from 2013 based on par volume
 - Underwriting professionals also assist our financial advisory clients
- Registered Broker/Dealer with transparency and accountability since the inception of the regulation of municipal securities
 - Senior management includes two past Chairmen of the MSRB
 - Provide firsthand market knowledge and insights
 - Subject to SEC, MSRB and FINRA rules and regulations



Representative Toll Road Experience



Bay Area Toll Authority



Central Texas Regional Mobility Authority



Delaware Transportation Authority



Denton County Transportation Authority



Foothill/Eastern Corridor Transportation Agency



Harris County Toll Road Authority



Illinois State Toll Highway Authority



Maine Turnpike Authority



Miami-Dade Expressway Authority



New Hampshire DOT (Turnpike System)



New York State Bridge Authority



New York State Thruway Authority



North Texas Tollway Authority



Oklahoma Turnpike Authority



Orlando-Orange County Expressway Authority



Rhode Island Turnpike and Bridge Authority



San Joaquin Transportation Corridor Agency



South Carolina DOT (potential I-73 P3 Project)



South Jersey Transportation Authority



Tampa-Hillsborough County Expressway Authority

TIFIA History

- Transportation Equity Act for the 21st Century (TEA-21) authorized surface transportation funding (1998-2005).
- Under TEA-21, the Transportation Infrastructure Finance and Innovation Act (TIFIA) was enacted.
- Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU) – Enacted 2005.
- Moving Ahead of Progress in the 21st Century Act (MAP-21) - Enacted 2012.
- Next surface transportation bill may be enacted May 2015.

Source: National Conference of State Legislatures, Vol. 22, No. 44

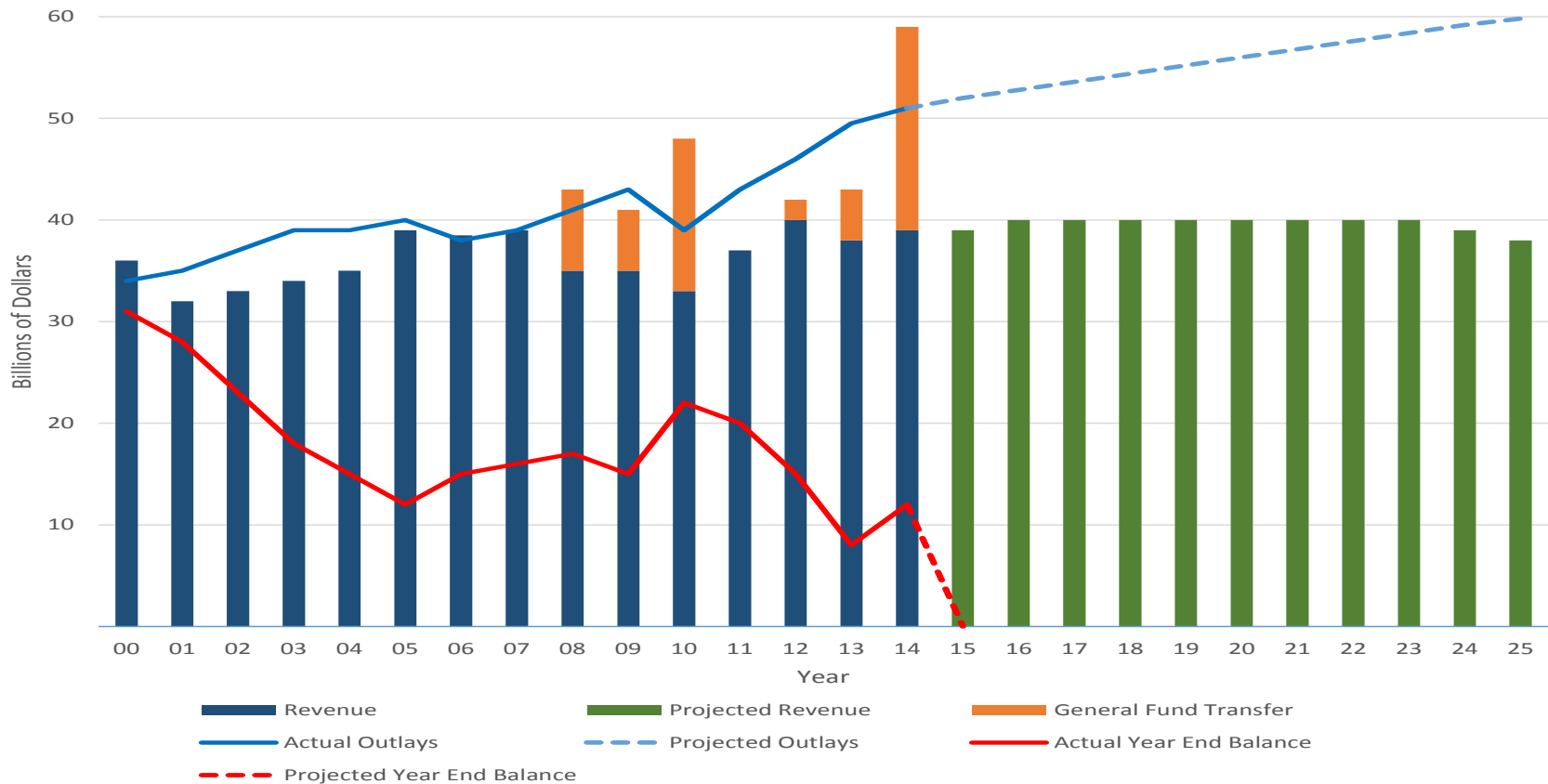
Funding Transportation Focus

- Transportation funding has been a top priority for federal, state and local officials.
- In 2013 and 2014, at least 748 bills were considered by the states.
- 22 Governors' discussed transportation in their "State of the State" addresses in 2014.
- Mr. Anthony Foxx, Secretary of Transportation, was the designated survivor for the 2015 State of Union Address.
- The Highway Trust Fund is only sustainable through May 2015, if congress doesn't act.

Source: National Conference of State Legislatures, Vol. 22, No. 44

Funding Shortfalls

Highway Trust Fund
Actual and Projected Revenues and Outlays
2000-2025

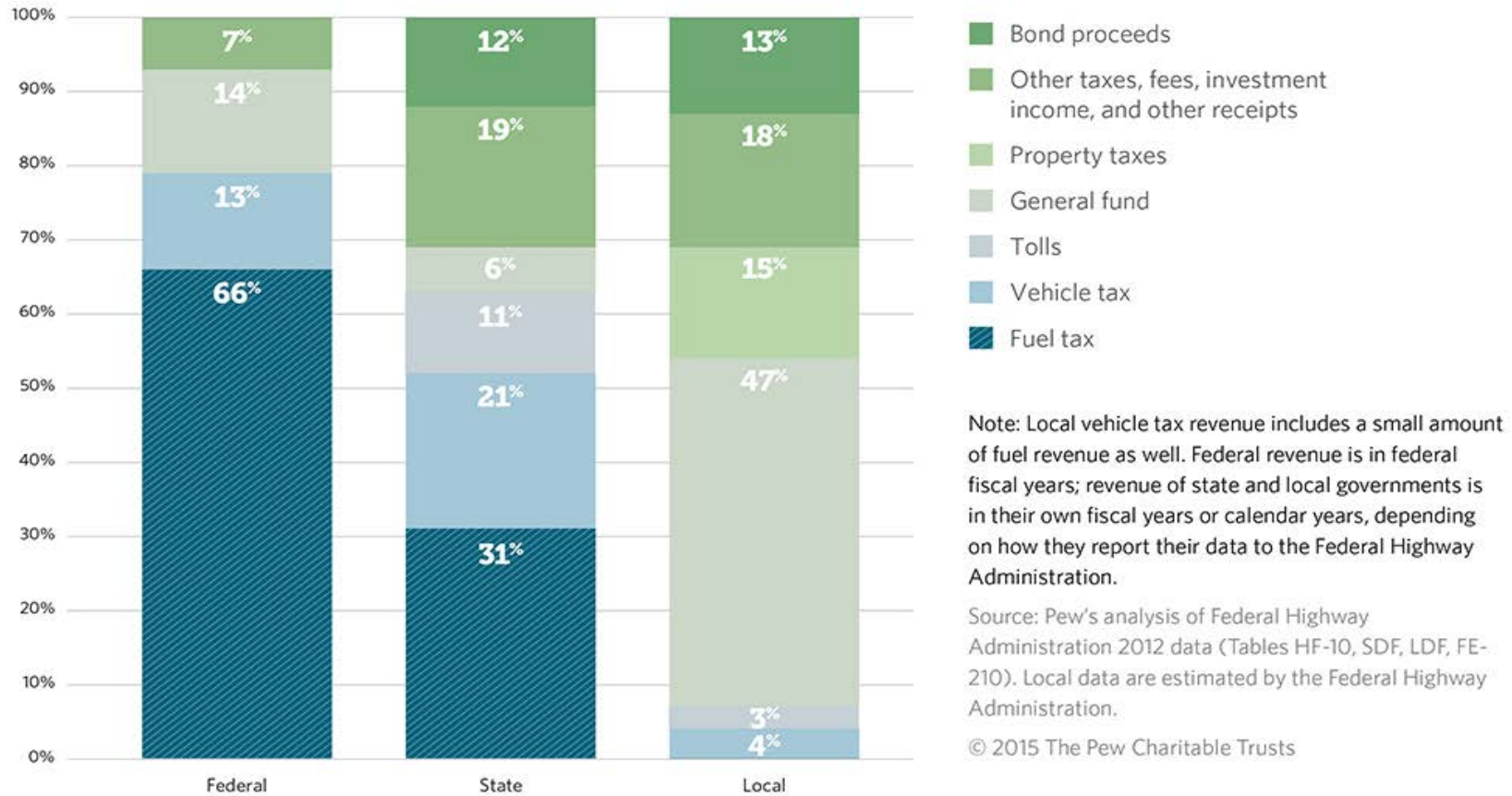


Source: The Pew Charitable Trust, February 24, 2015.

Highway Funding Mixture

Federal and State Governments Rely Heavily on Gas Tax Revenue to Fund Highways

Resources used for highways, by level of government, 2012



Source: The Pew Charitable Trusts.

TIFIA Program Objective

- Gap financing tool to fund transportation and accelerate delivery of project.
- Project must demonstrate a significant public benefit.
- Encourage new revenue streams and private investment/participation.
- Designed to be a “patient” investor.
- Eligible Applicants:
 - State DOT Departments
 - Transit Operators
 - Special Authorities
 - Local Governments
 - Private Entities

TIFIA Funding and Requirements

- MAP-21 authorized \$1.75 Billion over 2 years.
- Translates to project funding of approximately \$17 Billion.
- Project costs must be at least \$50 million.
- Fund up to 49% of the eligible project costs.
- Senior lien debt must receive at least two investment grade ratings (BBB-) from rating agencies.
- Private sponsors must demonstrate state support for the project.
- Project must have a dedicated revenue source to secure debt service on the senior debt and TIFIA.
- Borrowing rates are comparable to U.S. Treasury securities.

Types of Credit Assistance

1. Secured (Direct) Loan

- 35 Year maximum term from substantial completion of project.
- Repayment must begin 5 years after substantial completion of project.

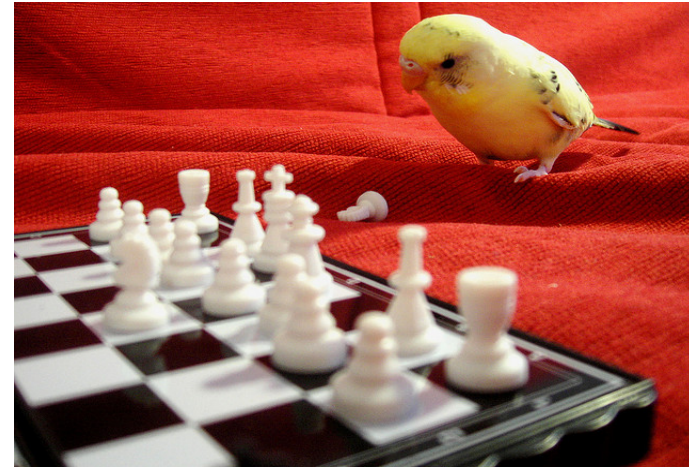
2. Loan Guarantee

- Guarantees repayment to non-federal lenders
- Loan repayment to lender must start 5 years after substantial completion of project.

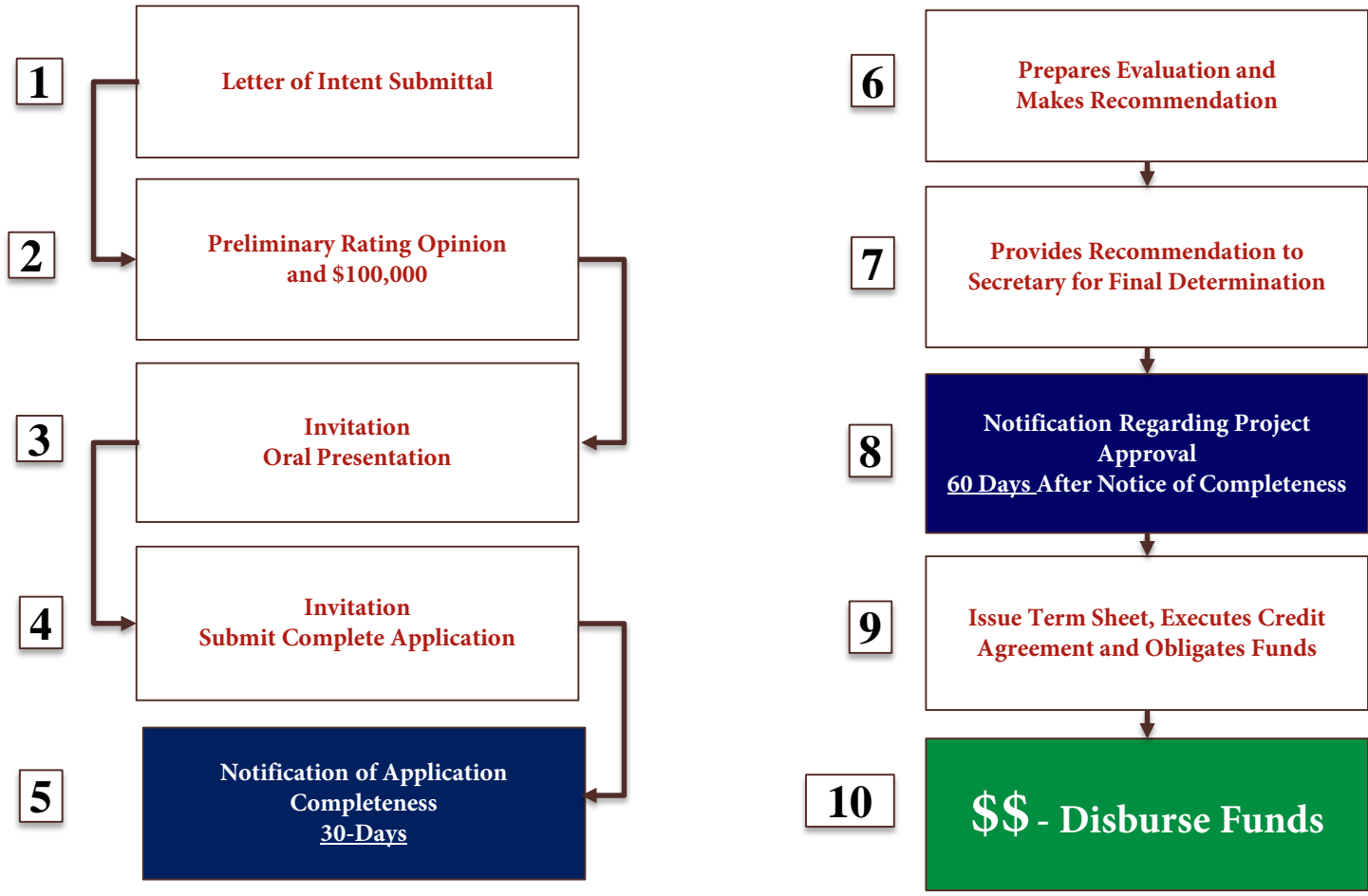
3. Line of Credit

- Contingent loan available for draws as needed up to 10 years after substantial completion of project.

TIFIA - Policy, Process and Procedures

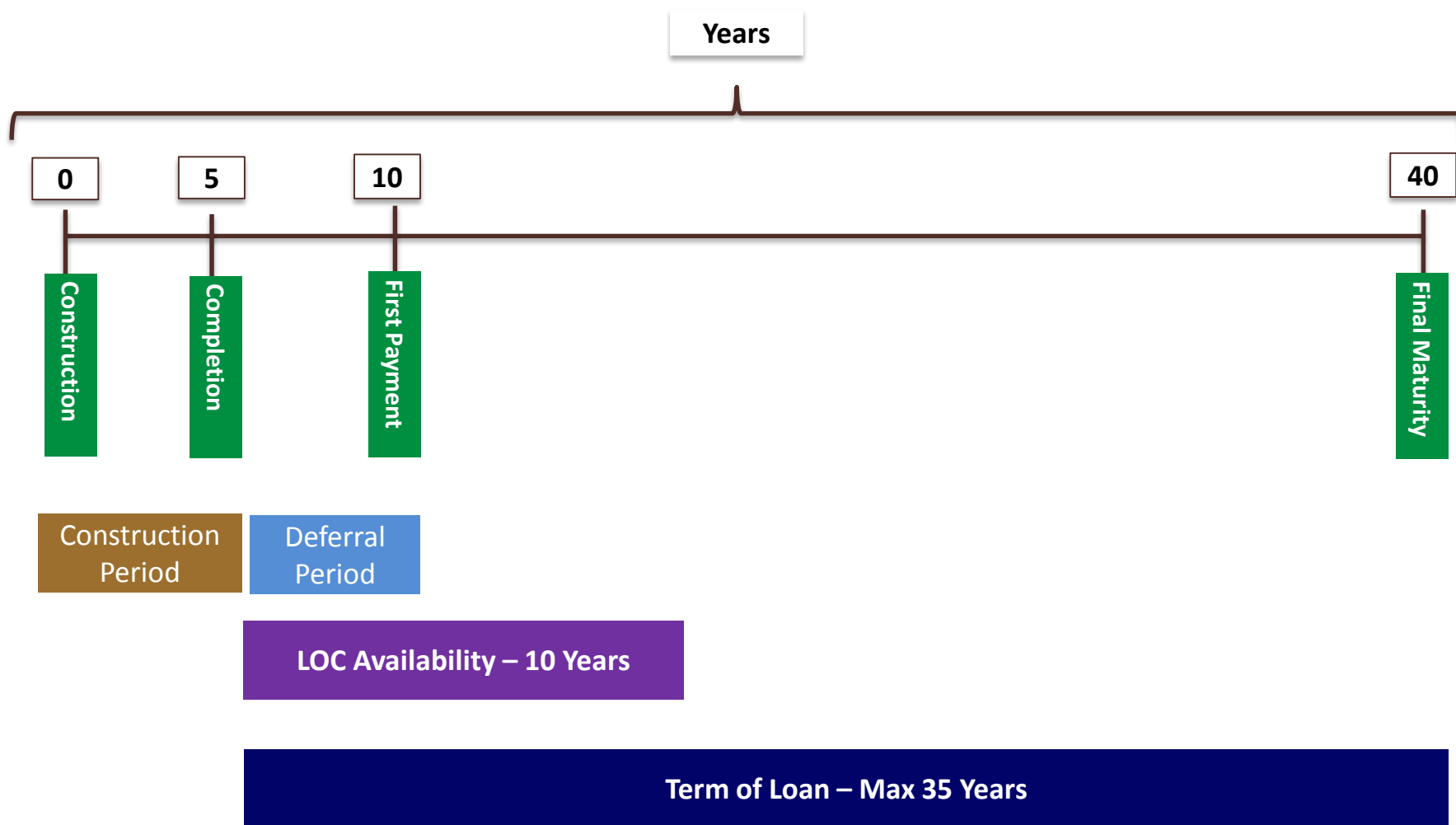


Selection and Funding Process



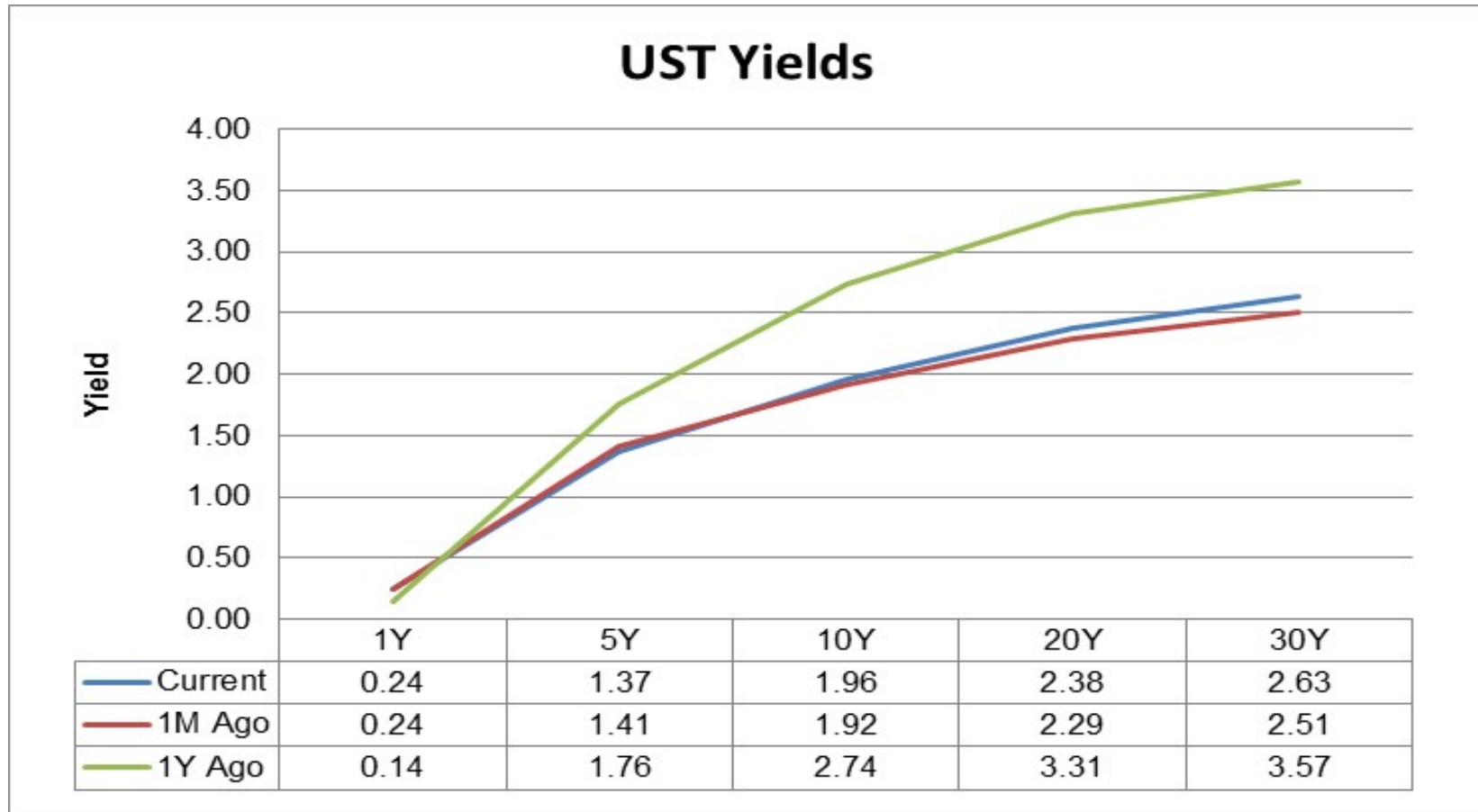
Source: TIFIA Program Guide, July 2013.

Repayment Structure



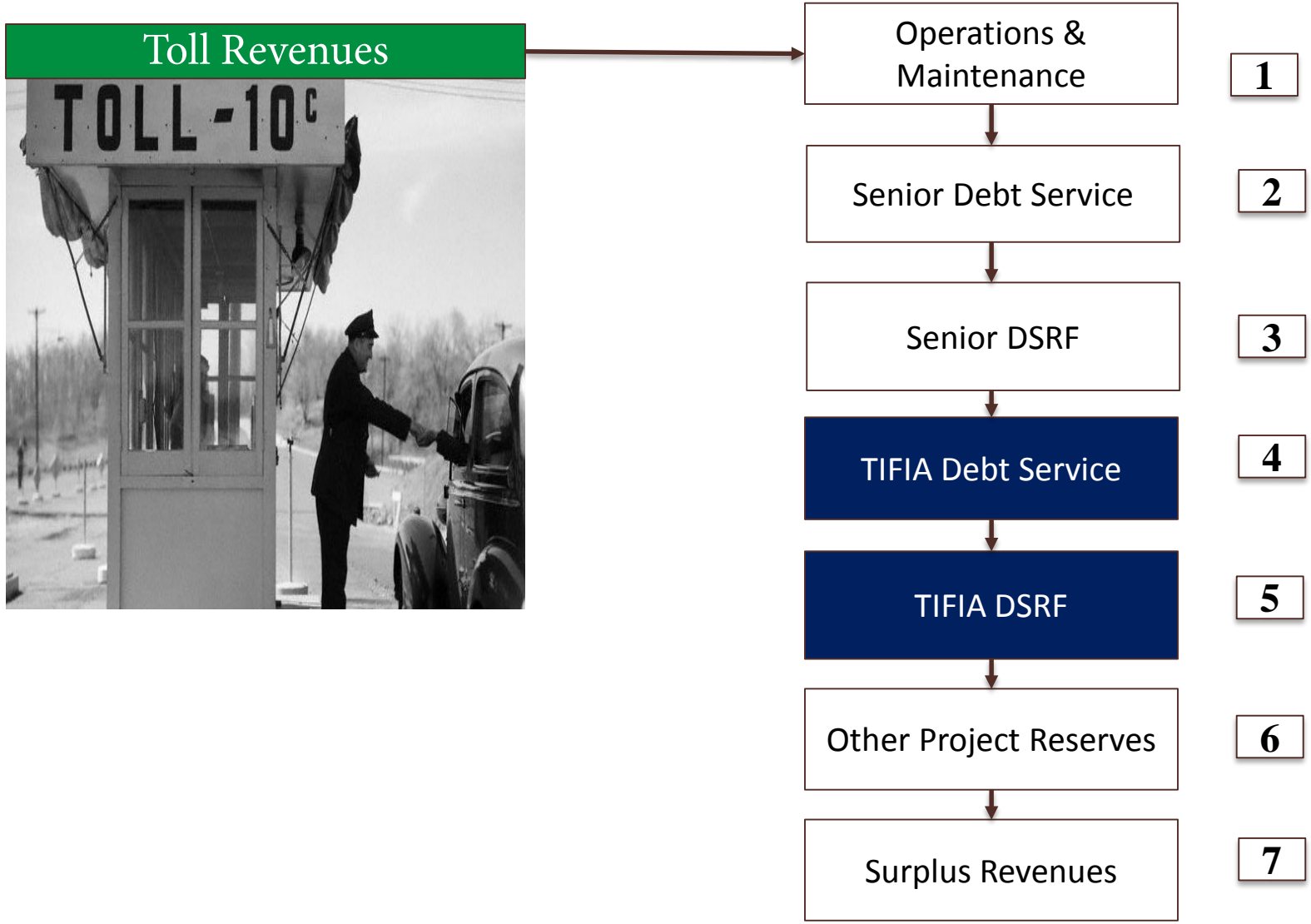
Treasury Yields

As of April 23, 2015



Source: Bloomberg.

TIFIA Loan Lien Position



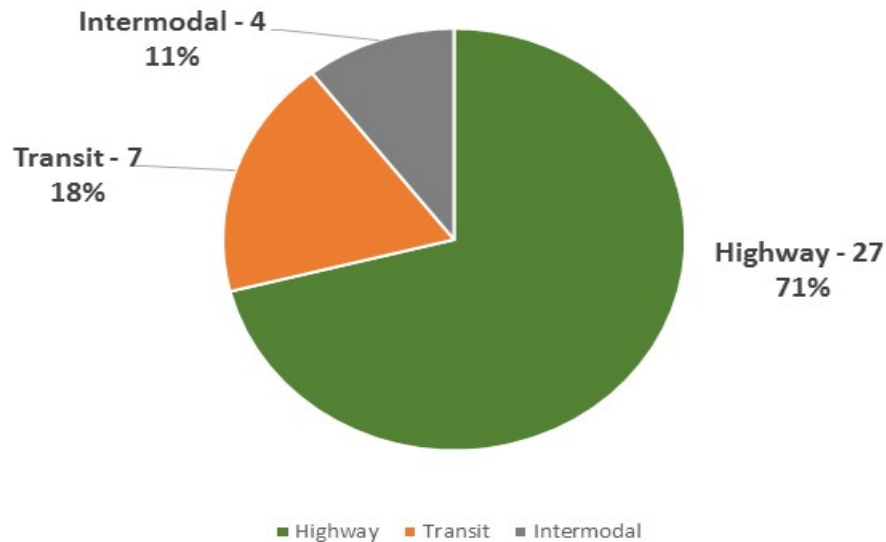
Source: TIFIA Program Guide, July 2013.

TIFIA Portfolio

As of May 2014

Portfolio			
Active Projects	Retired Projects	TIFIA Support	Total Project Costs
38	8	\$17 Billion	\$64 Billion

Portfolio Mix



Source: 2014 Report to Congress on TIFIA 1998 on MAP-21..

Industry Notes

- Application process could be lengthy.
- P3 sponsors – private contractors must certify no violation of any federal laws.
- 0% growth stress test of the traffic and revenue study.
- To date, no projects funded up to 49% of eligible project costs.
- Treasury yields are at historic lows.