PRIVATE FINANCING
for infrastructure delivery

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Federal limitations to private investment on interstates

It is not the lack of capital available or the lack of incentives to invest.

1. Tolls cannot be applied to interstate reconstruction if Federal funding is used unless toll-free capacity is maintained
   - ➢ This limits the states' ability to use federal funds to finance major reconstructions in interstates through tolling
     - ✓ There are 44,000 miles of non-tolled interstate highways that are nearing or exceeding their 50 year lifespan
   - ➢ Allows them only to add toll lanes if they add capacity
     - ✓ This is a solution in urban corridors where capacity is scarce but does not solve the long term maintenance funding issue
     - ✓ Several interstates that are privately operated (Indiana Toll Road, for example) are being modernized and maintained to the highest standards

2. Additional barriers are linked to the fact that PABS cannot be used to lease and refurbish existing infrastructure
   - ➢ This makes it more expensive than public tax-exempt financing
   - ➢ Creates an un-leveled playing field

Existing P3 projects have outstanding track record

Some of the proven benefits are:

- Major investments much sooner, thanks to ready access to capital;
- A demonstrated track record of largely on-time completion;
- Innovation that reduces costs and/or improves performance;
- Lower life-cycle cost, since projects are designed to be efficiently maintained;
- Transfer of major risks (cost overruns, traffic shortfalls, etc.) from taxpayers to investors;
- New tax revenues to government (as with investor-owned utilities)

Using P3 to fund additional tolled capacity in interstates

Why is private sector development the most efficient solution to deliver infrastructure projects?

Interests are aligned: if the infrastructure serves the purpose that it was built for, users benefit from it and Developer is compensated

- Risk is transferred to the private sector and Public Sector does not have any liability over the performance of the asset
- Innovation is promoted: both at the bid stage and at the delivery stage
- Customer service is superior: a happy customer is a good customer
- Projects are more likely to finish on time and on budget
- Private sector is more efficient
- Accountability: P3 process is transparent and easy to define best value propositions

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Case study: managed lanes in urban corridors

When do Managed Lanes solutions make sense?

Congested urban corridors

- Where adding lanes is not a solution: congestion will come back in a short time and lanes cannot be added forever
- Space is limited: “no wider and no higher”
- Need to use the capacity more efficiently: dynamic pricing as a tool to spread usage through the day
- As part of a network that provides mobility through the region
- Where enough tolled capacity can be provided: “a highway within a highway”

Managed Lanes are a better solution than adding free capacity

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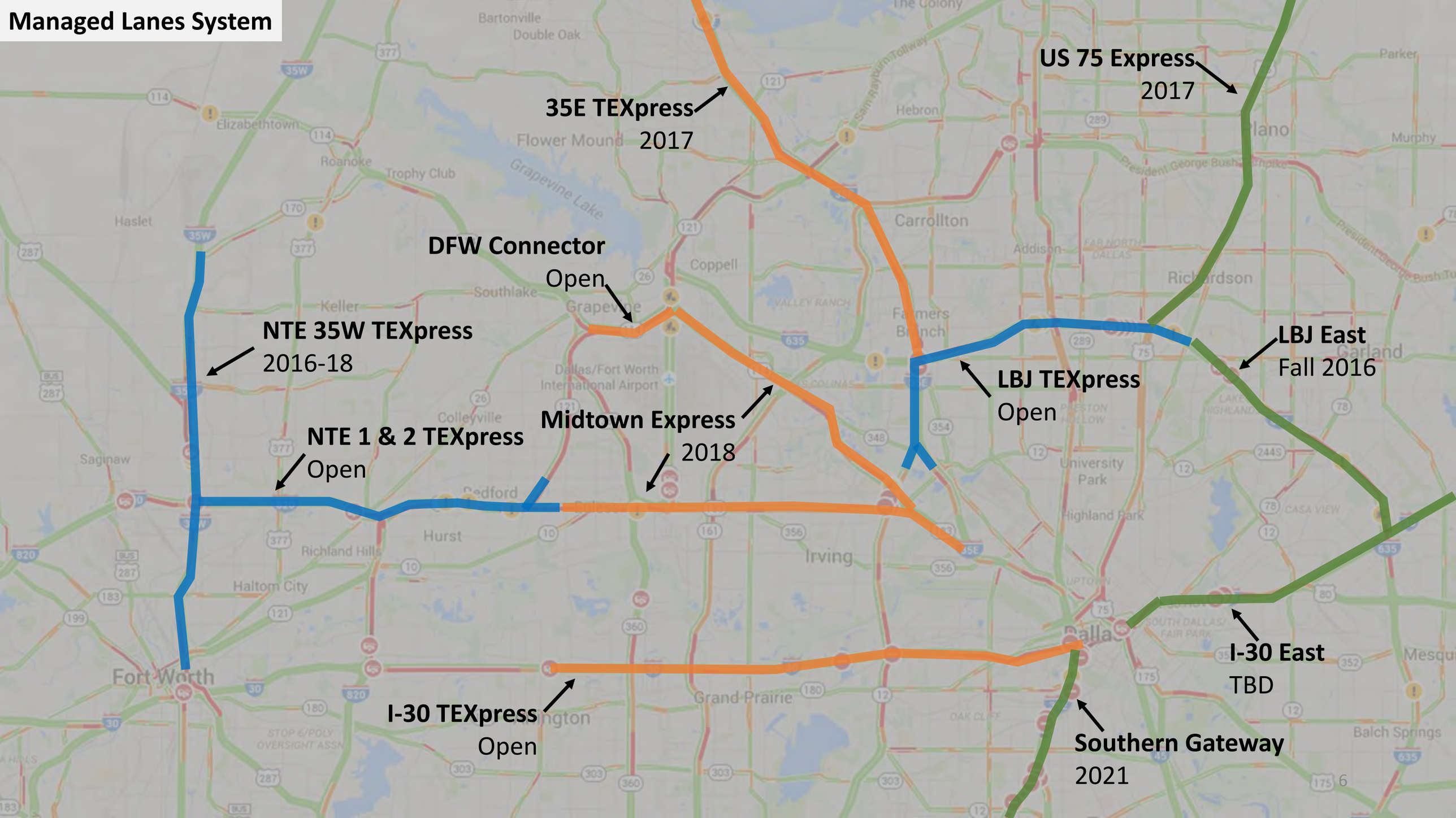
Managed Lanes System



NTE TEXPRESS

13.3 miles

$2.1 billion investment

20% equity
52% debt
28% public participation

Opened October 2014

LBJ TEXPRESS

13.3 miles

$2.6 billion investment

26% equity
56% debt
18% public participation

Opened September 2015

Financial Highlights

Initial capital expenditure 2010-2018 $5.34 Bn

- Construction cost:
  - NTE $ 1.7 Bn
  - LBJ $ 2.1 Bn
  - NTE 35W $ 1.1 Bn
- Subsequent CAPEX 2016-2062 $1.94 Bn (NPV@5%= $448 M)
- Maintenance expenses 2010-2062 $2.61 Bn (NPV@5%= $711 M)

Funding

- Shareholders equity $1.52 Bn
- Private Activity Bonds $1.29 Bn
- TIFIA debt $2.03 Bn
- TxDOT contribution $1.12 Bn

Public Funds leveraged 6x

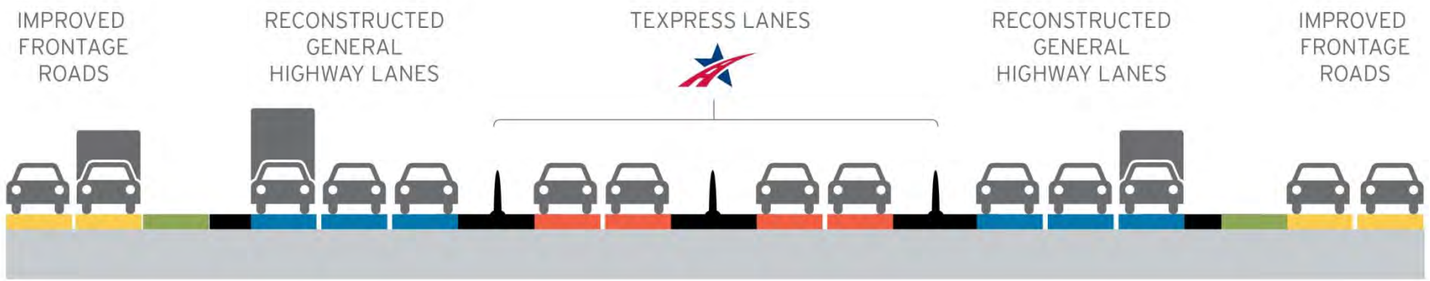
anaged Lanes efficiency

Alternative Technical Concepts and P3 Industry Review Improvements

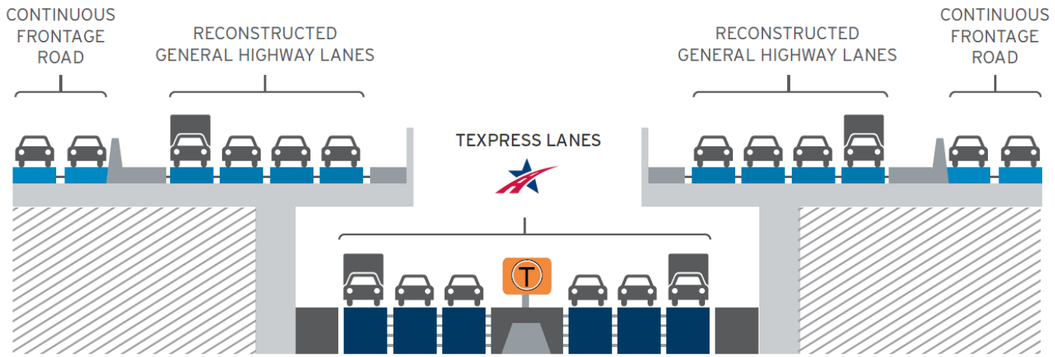
Project	Estimated Cost before efficiencies	Implemented Efficiencies	Actual Investment
NTE 1&2W	$2.29 B	$480 M	$1.81 B
NTE 35W	$1.49 B	$150 M	$1.34 B
IH 635 (LBJ)	$3.52 B	$1.32 B	$2.20 B
Totals	**$7.30 B**	**$1.95 B**	**$5.34 B**

27% lower spending

Ahead of time and on budget



NTE: 2 additional managed lanes per direction
Completed Oct 2014, **9 months ahead of schedule, on budget**

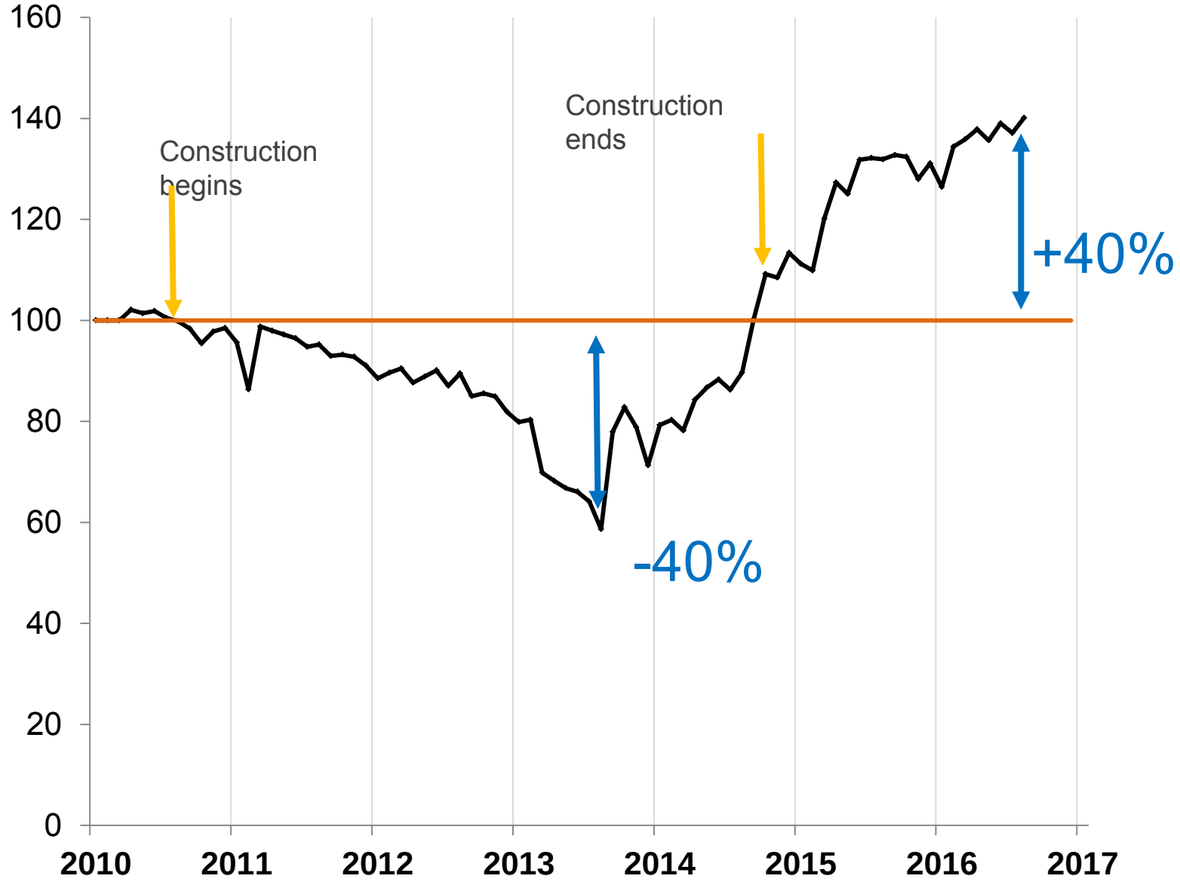


LBJ: 3 additional managed lanes per direction
completed Sept 2015, **3 months ahead of schedule, on budget**

Quick Corridor Recovery

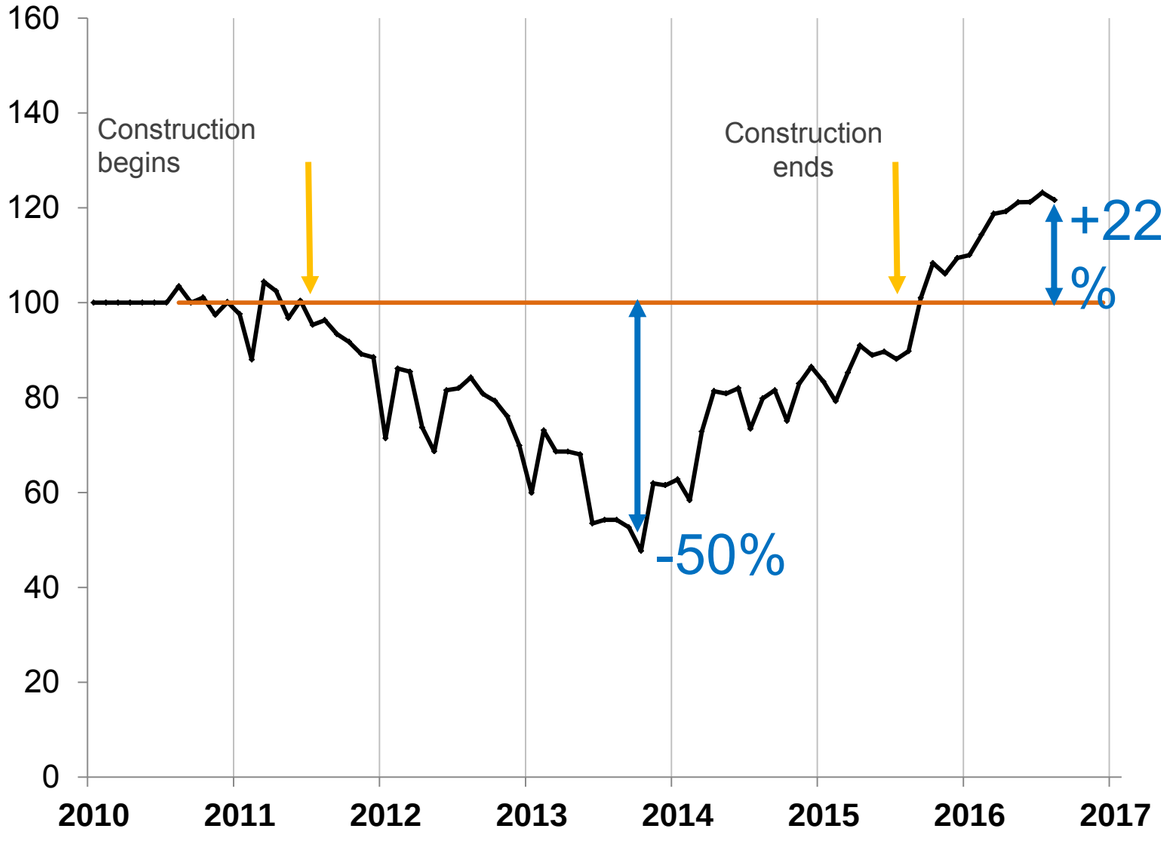
NTE SEGMENT 1

Indexed traffic volume from 2010 through August 2016

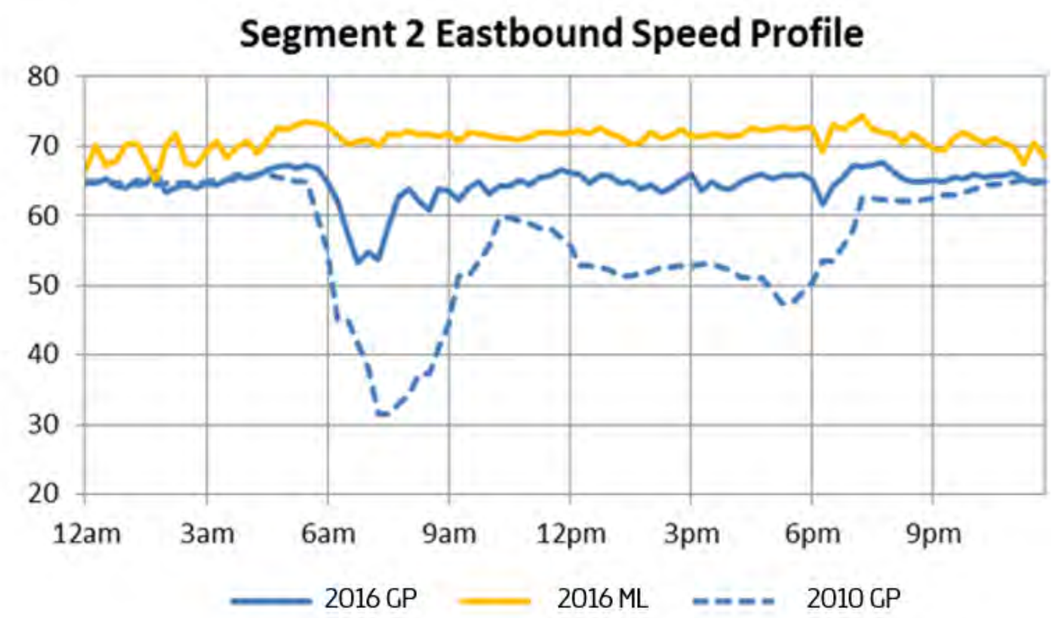


LBJ SEGMENT 3

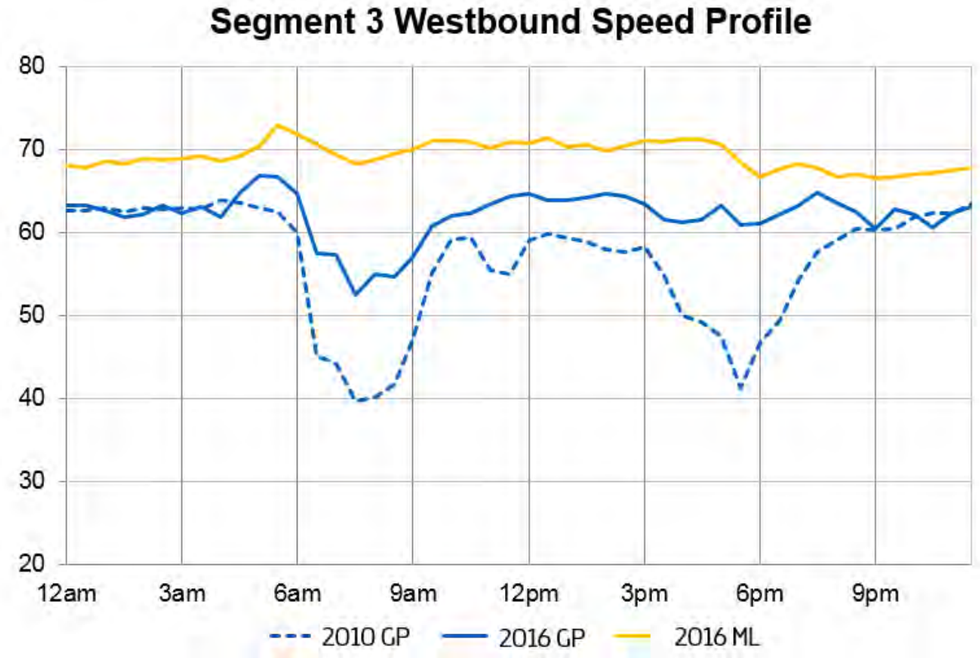
Indexed traffic from 2010 through August 2016



Better conditions for everyone



1. Improved geometry but no additional lanes
2. **General Purpose traffic 7% higher** than before construction
3. Average **speed increased by 15%**
4. **General Purpose congestion time reduced by >70%**
   - Congestion = speed below 50mph



1. Improved geometry but no additional lanes
2. **General Purpose traffic 10% higher** than before construction
3. Average **speed increased by 10%**
4. **General Purpose congestion time reduced by 60%**
   - Congestion = speed below 50mph

Significant congestion relief - NTE

Morning Peak Hour (7:00 AM)

NTE Segment 1 was #24 of the most congested roads in TX and is now #69

(according to TTI's list published in October 2015)

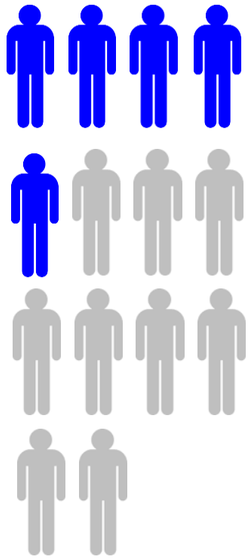
Significant congestion relief - LBJ

Morning Peak Hour (7:00 AM)

Managed Lanes are for everyone

4+ million
different vehicles have used the LBJ & NTE to date

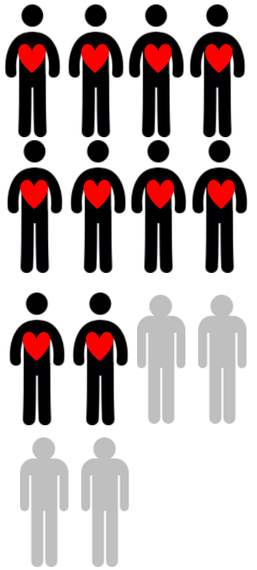
7 million
people live in Dallas-Ft. Worth



5 in 14 users are new
to the TEXpress Lanes each month

The most common car makers seen on the TEXpress Lanes are **Toyota, Ford, Honda**

Only 15% of cars are luxury brands



More than 10 in 14 users
view the TEXpress Lanes favorably

LBJ+NTE TEXpress Lanes Perception

80% **SUPPORT**

81% **FAVORABLE**

87% **POSITIVE EXPERIENCE**

What do drivers like?

People say their positive opinion of TEXpress is derived from the **time savings** (60%) and **convenience** (25%).

People are happier when they know about TEXpress *roadside assistance for all drivers* and when they learn that the TEXpress Lanes will be a *part of a larger system*.


THANK YOU
LBJTEXPRESS
NTETEXPRESS