



2009 Transportation Construction Management Conference

Morning Plenary Session - Orange Room

February 12, 2009

ADVISORY

Agenda

- **KPMG Infrastructure Advisory**
- **Current State of the Market**
- **Recent Transactions**

KPMG Infrastructure Advisory

- KPMG has acted as Financial Advisor and/or service provider to both public and private clients within the US
- Experience and insights on both tax-exempt public finance and Public-Private Partnerships
- Experience in procurement/financing of infrastructure, including:
 - Transportation (surface, airports and seaports)
 - Social Infrastructure (schools, healthcare, housing, parks, courts, etc.)
 - Water and Utilities
- 50 people dedicated to North America Infrastructure Advisory practice
- 500 people servicing infrastructure globally

Dealogic's league tables rank KPMG as the leading financial advisor on global PFI/PPP deals for 2008

PPP Program Experience

 <p>Texas Department of Transportation Trans-Texas Corridor \$10+ billion Ongoing</p>	 <p>Virginia Department of Transportation VDOT CDA Program \$1.9 billion Ongoing</p>	 <p>Florida Department of Transportation Alligator Alley TBD</p>
<p>Partnerships B.C. Gateway Program \$2.6 billion Ongoing</p>	<p>Infrastructure Ontario Value for Money Analysis TBD</p>	<p>Government of Alberta Alberta Schools TBD</p>

PPP Project Experience

<p>Golden Ears Bridge Translink - Greater Vancouver Transportation Authority (GVTA) \$1.1 billion</p>	<p>Sea-to-Sky Highway British Columbia Ministry of Transportation \$600 million</p>	<p>Québec Ministry of Transport Montréal Highway 30 \$1 billion</p>
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KPMG Transportation & PPP Infrastructure Experience in the US

Washington

- Carrix: Accounting, Commercial, and Tax due diligence, Tax structuring

Oregon

- Oregon DoT: Appointed to financial advisory panel for PPP

Utah

- PPP Financial Advisory Services

Colorado

- Northwest Parkway: Accounting and Tax due diligence

Nevada

- Programmatic and project advisor to DOT

California

- City of Anaheim Transit Hub: Financial and PPP Advisory
- CSU-Monterey Bay: Financial advisory
- MTC Holdings: Accounting and Tax due diligence, Tax Structuring
- Riverside County Transportation Commission: Financial and PPP advisory
- San Bernardino Associated Governments: Financial and PPP Advisory

Minnesota

- MnPass: Assisted on assessment for PPP feasibility

Illinois

- Chicago Downtown Public Parking : Accounting, Commercial and Tax due diligence, Tax structuring
- Chicago Metered Parking: Transaction due diligence
- Chicago Skyway: Accounting advisory, Tax Structuring

Michigan

- Statewide PPP Advisory
- MDOT advisor: M21 Bridge and I-69

Indiana

- Indiana DOT I-69: Financial and PPP Advisory
- Indiana Toll Road: Accounting and Tax due diligence

New York

- Icon Parking: Accounting, Commercial and Tax due diligence, Tax structuring
- JFK Terminal 4: Successful bid, development and financing
- Orient Overseas: Accounting, Commercial and Tax due diligence, Tax structuring

New Jersey

- P&O North America: Vendor assistance; Accounting, Commercial and Tax due diligence, Tax structuring
- Maher Terminals: Accounting and Tax due diligence, Tax structuring

Pennsylvania

- Pennsylvania Turnpike: Transaction due diligence

US Government

- DoD – Guam base realignment: Policy, financial and planning advisory

Virginia

- Virginia DOT: Financial and PPP Advisory
 - I-495 / Capital Beltway HOT Lanes Project
 - I-395/I-95 HOT Lanes Project
 - State Route 460
 - Additional transportation projects

Texas

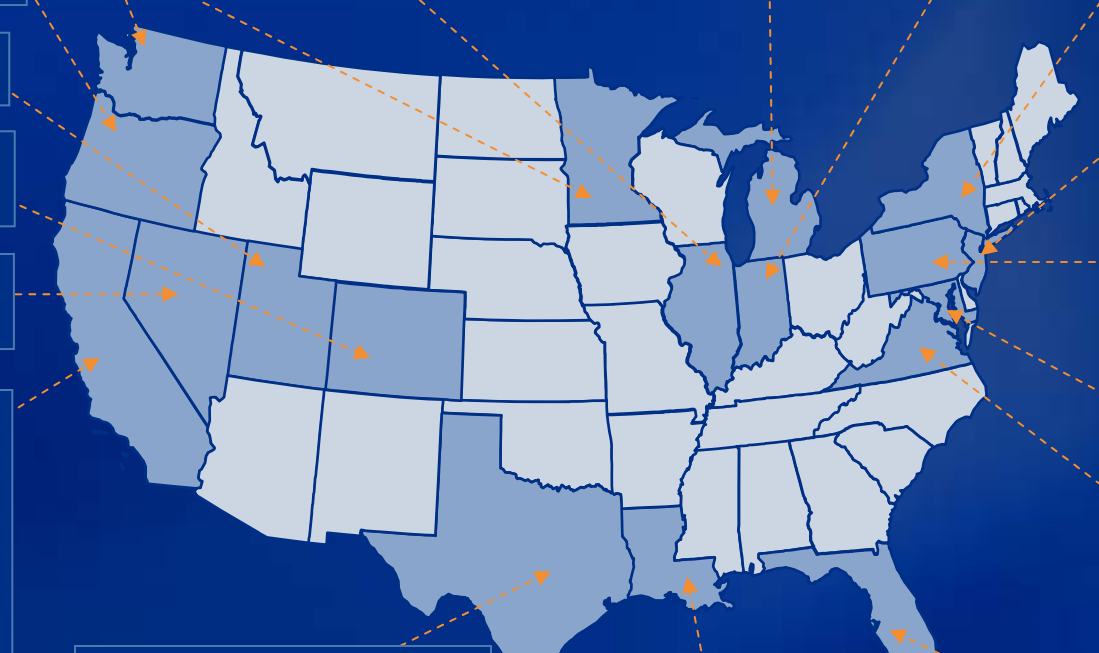
- TxDOT CDA program-wide and project-specific financial and PPP advisory, including procurement strategies and implementation plans for program management and electronic tolling. Projects include: IH635, SH121, SH130 5&6, US281-Loop1604, SH161, IH820, TTC35, and TTC69

Louisiana

- Baton Rouge Toll Loop: Financial feasibility analysis and advisory

Florida

- AMPORTS: Accounting and Tax due diligence, Tax structuring
- Florida DOT: Advising on Alligator Alley; Statewide Financial Advisory Pool
- Florida East Coast Industries: Accounting and Tax due diligence
- Florida's Turnpike Enterprise: Management consulting services
- Miami-Dade County: P3 Advisory Pool
- Miami-Dade Expressway Auth.: Project Finance Advisory Pool
- Port of Miami Tunnel: Accounting and Tax due diligence, Tax structuring



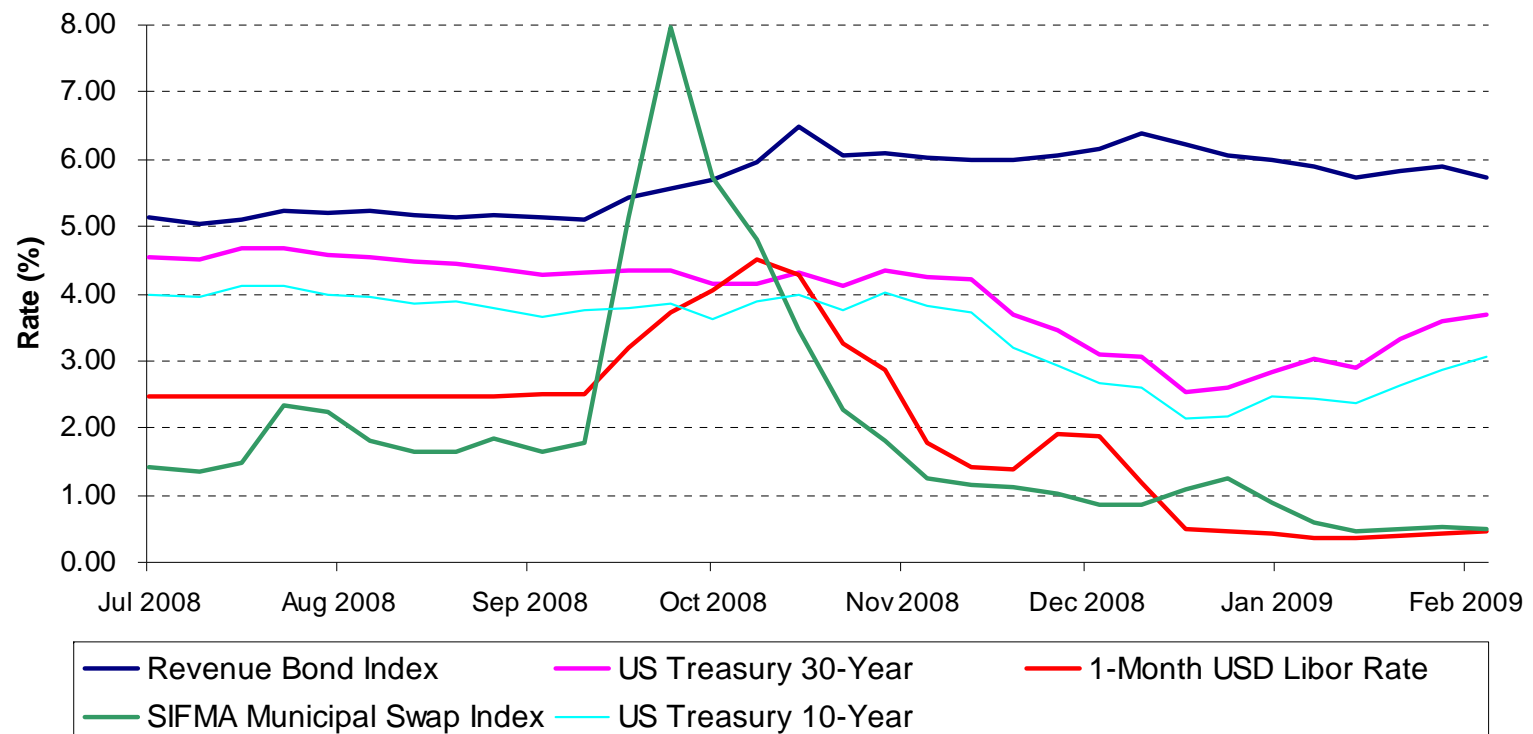
KPMG Infrastructure Experience in Canada



Where is the market now?

- Unprecedented credit crunch
- Declining tax revenues (federal gasoline, state and local taxes)
- Taxable and tax-exempt capital market dislocations
 - Floating rate (ARN and VRDN) market contractions
 - Demise of Monoline industry and credit differentiation challenges
 - Private activity bond (AMT) investor contraction
- \$700 Billion US Troubled Asset Relief Program (“TARP”)
- American Recovery and Reinvestment Act (aka stimulus package)
- Market anticipation of Reauthorization of SAFETY-LU
- Many investors looking to Canada over the next 12-18 months

Market Turbulence Since July 2008



Market Turbulence

SUMMER 2008

- City of Vallejo, CA enters Ch. 9 bankruptcy
- Ambac & MBIA are downgraded
- Capital Beltway I-495 project reaches financial close

Sept./Oct. 2008

- Lehman Brothers enters Ch. 11 bankruptcy
- Bank of America/Merrill Lynch
- Citi-Abertis group scraps \$12.8 bn bid for Penn. Turnpike
- Citi-led group wins Midway Airport privatization

Nov./Dec. 2008

- Assured Guaranty acquires FSA
 - only Monoline with AAA from all 3 rating agencies
- Port of Miami Tunnel project stopped before reaching financial close
- Chicago Parking Meter concession awarded

Jan./Feb. 2009

- Stimulus Bill is debated in Congress
- Markets react negatively to new administrations proposals
- Babcock & Brown agrees to sell-down assets over 2-3 years due to negative net equity
- NTE receives bids

What does this mean to project funding?

- Cost of debt has gone up and terms are less favorable to borrowers
 - **Bank Debt** - Shorter tenors, increased “flex” provisions, lower loan limits result in more “club” structures, clear preference for availability-style P3s with limited appetite for real toll/Greenfield projects, expect increased regulation
 - **Tax-Exempt Bonds** - PABs less prominent due collapse of Monoline insurance market and reduction in bank LOC availability
 - **TIFIA** – Costs have actually declined with Treasury rates, but virtually no capacity
 - **Taxable Bonds** – Not typically familiar with infrastructure assets, make-whole provisions make future refinancings challenging
- Cost of equity has also gone up, but significant amounts available
 - Equity playing a much larger role – lower upfront leverage
 - Some recent deals initiated with 100% equity capital
- Availability of public funds has diminished, but may see credit enhancement

... but there is good news ...

- Gas prices have reduced which should help VMT rebound, and in turn gas tax revenues
- Economic conditions may decelerate construction cost increases
- There is over \$180 billion in equity available for infrastructure
- Much of the \$15 billion in PABs allocation remains unused and previously allocated funds have been released
- Some signs of frozen credit markets thawing
- Public sector enhancement (via Infra Banks) may help challenging projects
- TIFIA Loan Program has become more senior-lender friendly

... and there is market interest in P3s.

June 2008: Capital Beltway

- \$589 million PABs
- \$589 million TIFIA
- \$470 million VDOT grant
- \$350 million Equity

July 2008: SH 130 (Seg 5&6)

- \$686 million bank debt
- \$476 million TIFIA
- \$210 million equity

July 2008: Alberta Schools

- C\$230 million bonds
- C\$230 million bank debt
- C\$50 million equity

Sept 2008: A30 Highway

- C\$1.1 billion bank debt
- C\$200 million equity

Nov 2008: Portuguese Highway Authority

- €762 million bank debt
- €170 million equity

Jan 2009: M80 Transport Scotland

- £139 million bank "club"
- £150 million EIB Loan
- £ 48 million sub debt/equity

North Tarrant Express

Financial close expected by end of 2009

- \$300 million PABs
- \$300 million bank debt
- \$600 million TIFIA
- \$570 million TxDOT grant
- \$370 million equity

IH 635 / LBJ

Proposals currently under evaluation

- *Apparent best value proposer to be announced end of February 2009*

Conclusion

- We are experiencing a massive disruption in the financial markets
- Global recession will likely exist for a long time
- Infrastructure remains essential
- Private investment is necessary to deliver infrastructure projects
- Good deals can still get done
 - More effort on both public and private sectors to structure “good deals”



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