

Funding and Financing Solutions in the Coming Decade

The Good, Bad, and Hope for the Future A Perspective from Florida

Lowell R. Clary

lowell.clary@claryconsulting.com

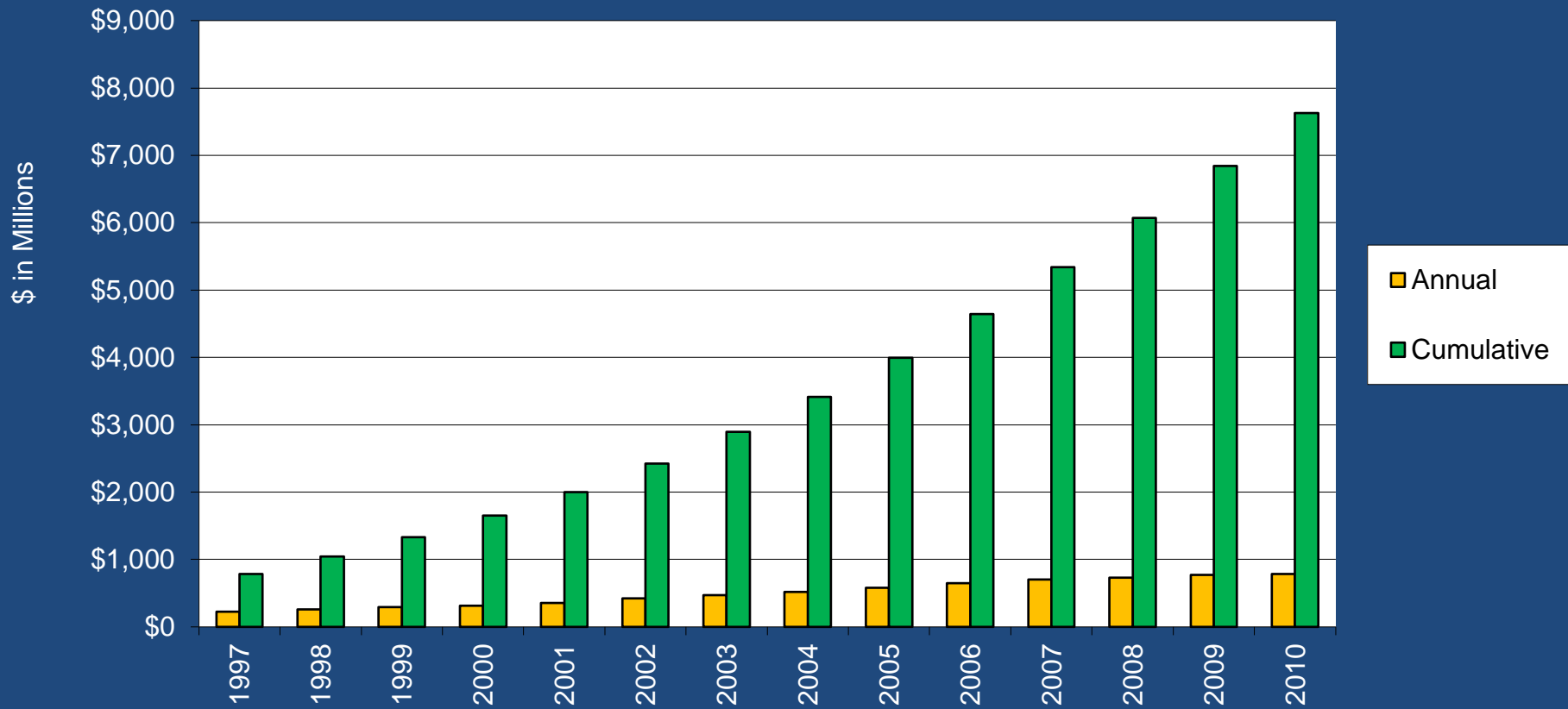


The Good – What Has Worked

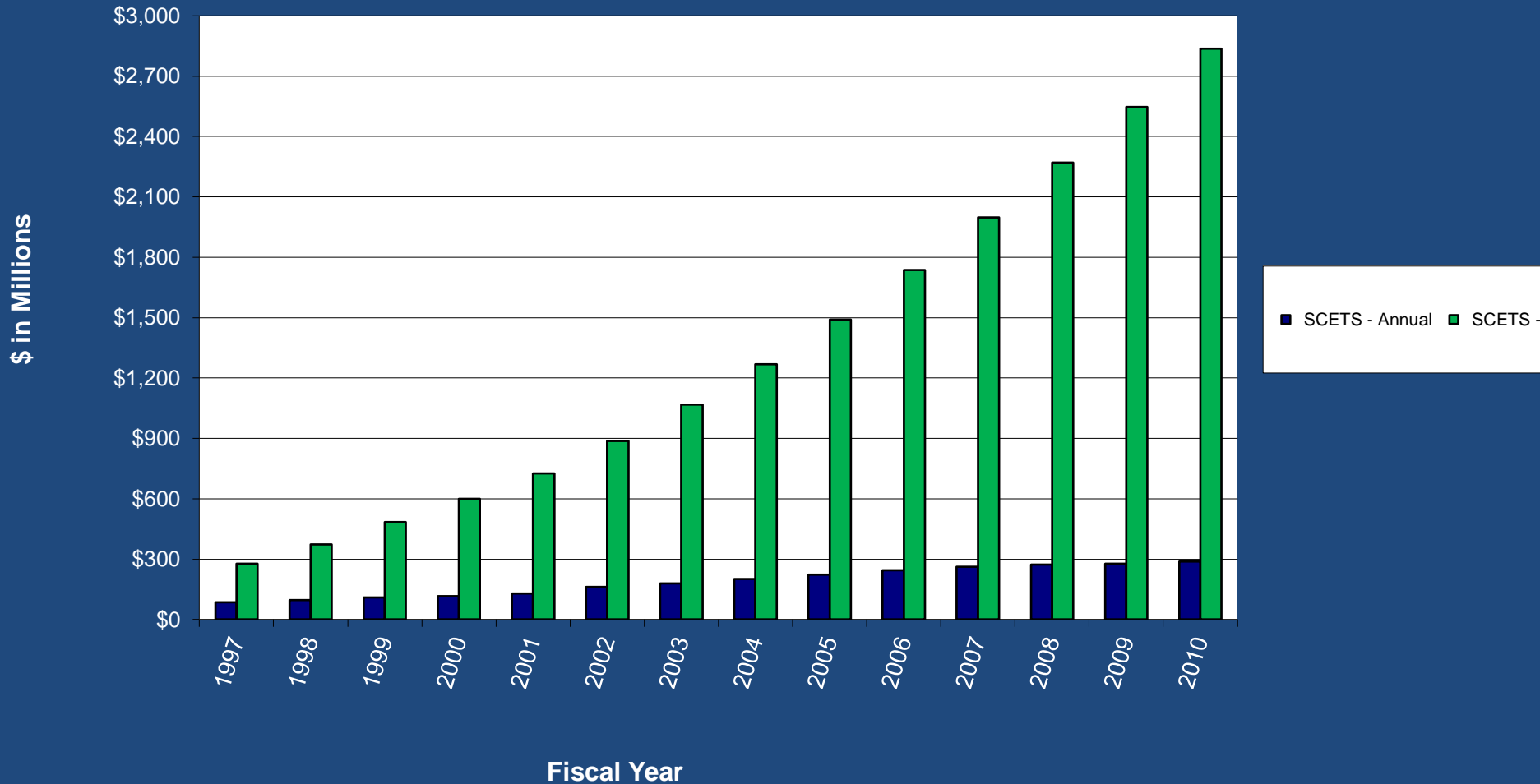
- Index Motor Fuel Tax
- Local Option Taxes
- Tolling
- Capturing “Diversions” and New Revenues
- “Express Lanes”
- State Infrastructure Bank
- Development Districts/Tax Increment Funding
- Public-Private Partnerships

Key facts from the FDOT, AASHTO, FEDR, and FDOR in the presentation.

IMPACT OF INDEXING STATE HIGHWAY FUEL TAX



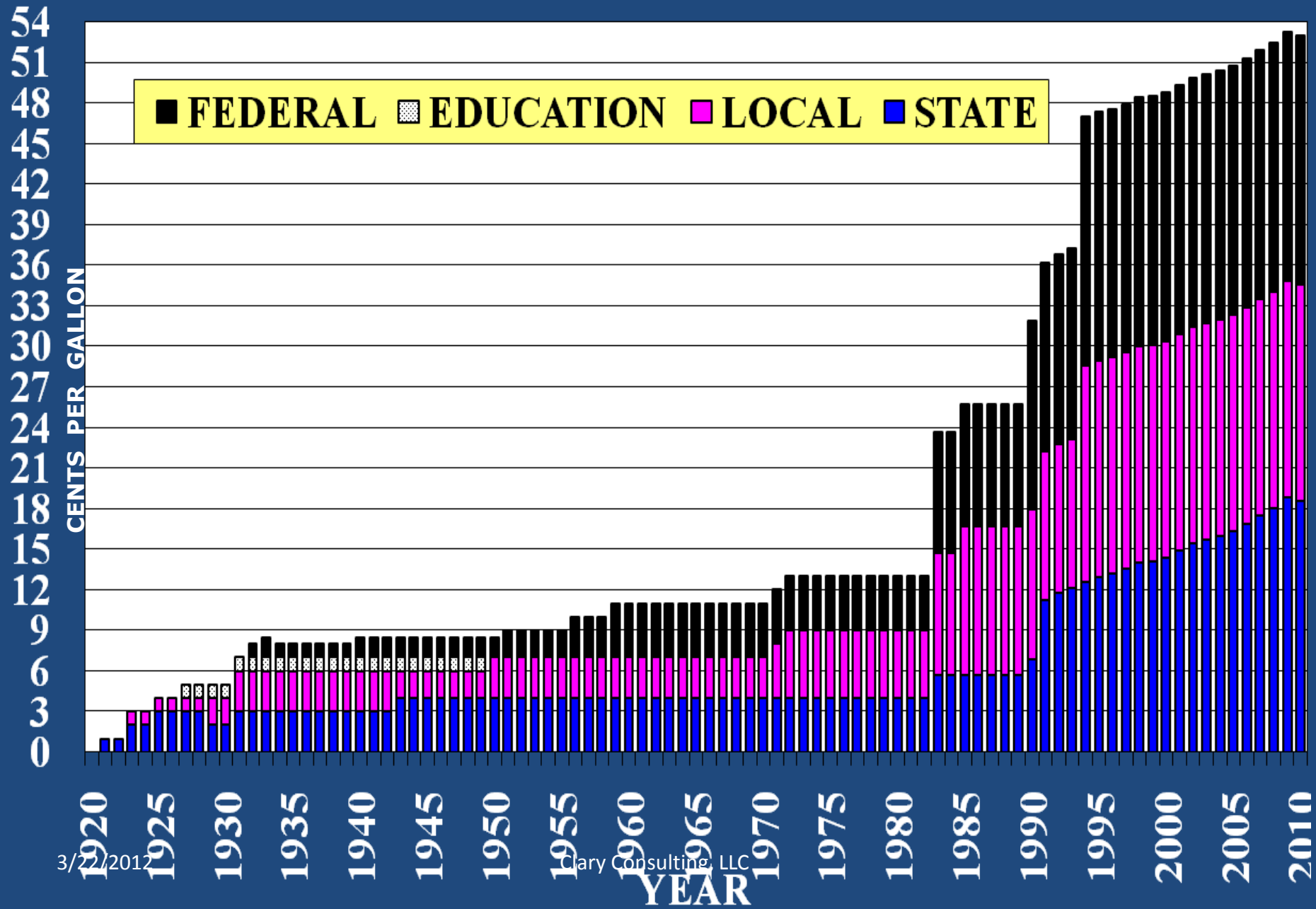
IMPACT OF INDEXING SCETS HIGHWAY FUEL TAX



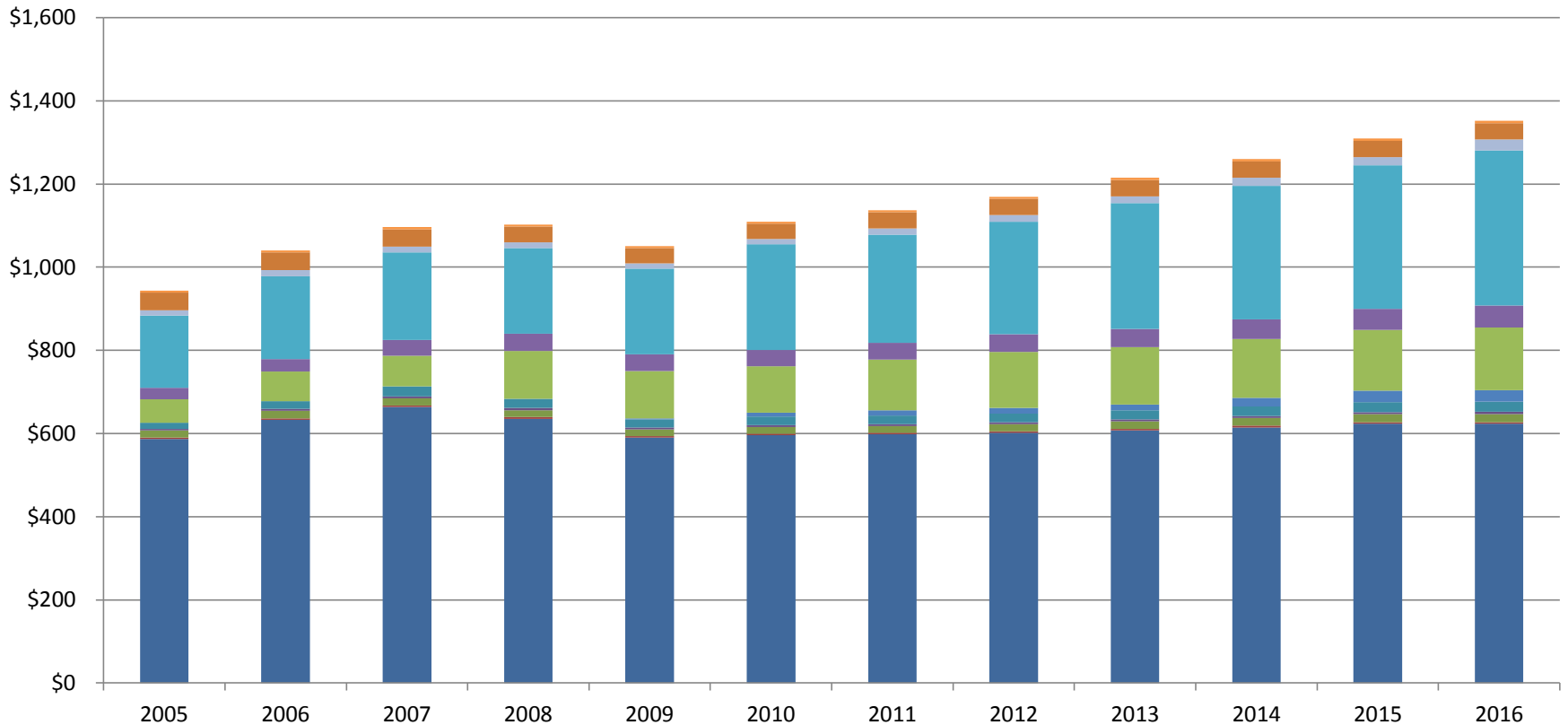
Local Option Taxes

- Local Option Motor Fuel Tax
 - 1 to 12 cents per gallon, approval county commission or vote of people
 - All 67 counties have at least 5 cents
 - Estimated at \$795M in fiscal year 2011-12
- Local Option Sales Tax
 - Various types – three include transportation as eligible uses, all by vote of the people
 - Uses including transportation – Estimated at \$1.27B in fiscal year 2011-12

FLORIDA HISTORICAL FUEL TAXES



Gross Toll Revenues by Facility



- Florida's Turnpike
- Sunshine Skyway
- Alligator Alley
- Miami-Dade Expressway Authority (MDX)
- Orlando-Orange County Expressway Authority (OOCEA)
- Lee County (Sanibel, Cape Coral and Mid-Point)
- Pinellas Bayway
- Beachline East
- I-95 Express
- Tampa-Hillsborough Expressway Authority (THEA)
- Mid-Bay Bridge Authority (Mid-Bay Bridge)
- Santa Rosa Bay Bridge Authority (Garcon Point Bridge)

Mobility 2000

- Eliminated “take downs” of State motor fuel tax and vehicle license fees and redirected from State General Fund to the State Transportation Trust Fund
- Transportation revenue increase combined with limited leveraging added/advanced \$6 billion in projects over a ten-year period
 - Expanded use of Advanced Construction
 - Capitalized State Funded SIB
 - Up to \$325M in GARVEE bonds

“Pay as You Grow” Program

Passed in 2005 – Comprehensive bill for transportation-water/environment-schools

- Added \$775 million a year to transportation from fees already assessed to “growth” transactions
- Focused majority of funds on “Strategic Intermodal System” consisting of expressways and major highways; major commercial airports, major commercial seaports, intercity passenger rail, major freight rail; and intermodal centers/connectors

Strong Debt Financing Policies

Bond Programs

— Tax Revenue Sources

- Right-of-Way/Bridge Program
- Fixed Guideway Systems
- Seaport Program
- GARVEE (indirect)

— Self Supporting Sources

- State Infrastructure Bank
- Toll Facilities

— Program level caps and overall caps for debt load to ensure total program is not overcommitted

95 Express in South Florida

The South Florida Approach

- USDOT Urban Partnership Agreement for Express Lanes
- **The 4 T's Required by the UPA**
 - Tolling (Dynamically Priced ORT)
 - Transit (Bus Rapid Transit)
 - Technology (ITS)
 - Telecommuting



South Florida Regional Express Lanes Network



- Meet Needs of Commuter Trips
- Encourage Shift in Peak and Mode
- New or Improved Transit Service
- Ten miles open, over fifteen miles under construction, and many more miles in environmental study phase

State Infrastructure Bank

Implemented in Florida in 1997. Two “Accounts” for the Florida SIB:

- Federal Account – projects must meet Federal highway and transit program criteria:
 - \$352 million in loans supported \$1.15 billion in projects
- State Account – all transportation modes eligible:
 - \$753 million in loans supported \$7.2 billion in projects
 - Bonded the repayment stream portfolio
 - Flexible repayment terms and can be subordinate to senior debt

Partnering with Growth

- Development Driven
 - Over 200 “development districts”
 - Numerous community redevelopment areas
 - Tax Increment financing common
 - Impact Fees and Related Fees
 - Developer contributions and partnerships
- Total amount generated not easy to discern – likely billions for infrastructure improvements

Public-Private Partnerships

Successful Program in Florida – Closed Deals

- **Build-Finance and Design-Build-Finance** – Advanced 8 Projects that total \$2.147 Billion, program started in 2006.
- **Design-Build-Finance-Operate-Maintain** – Both Use “Availability Payment” approaches:
 - I-595 Improvements: Design-Construction \$1.2 billion
 - Port of Miami Tunnel : Design-Construction \$607 million
- Advanced Miami Intermodal Center - \$1.7 billion

Why P3s in Florida

Port of Miami Tunnel –

- Secure expertise – complicated tunnel
- 30 year warranty period of tunnel/roadways/bridges – turn over in prime condition
- Timely schedule tied to future events
- Future FDOT payments subject to performance – availability payment structure
- Cost effective approach - price plus contingency at \$865M compared to estimates of \$1.2B, cost efficient financing

Why P3s in Florida

I-595 Improvements –

- combined/advanced many projects from 1 to 20 years - one series of improvements with coordinated schedule
- 30-Year warranty period – turned over in prime conditions
- future FDOT payments subject to performance
- Cost effective approach - price under estimated price and cost efficient financing

The Bad – Current Challenges

- Gas Tax Eroding Away as a Revenue Source
- No Replacement to Gas Tax Near Term
- Low Public Awareness
- Funding Updates
 - Federal
 - State
 - Local
 - Tolls

Gas Tax

- State Revenue Estimating Conference adjusted DOWN estimated gas tax receipts 10 of 12 times from Nov 2006 to Oct 2011
- Downward trend started BEFORE Recession
- High gas prices = permanent shift in buying habits and new car design/production
 - Downsizing vehicles (also MV Fees impacts)
 - More fuel efficient vehicles
 - New technologies – hybrid, electric, etc.

Replacement to Federal Gas Tax

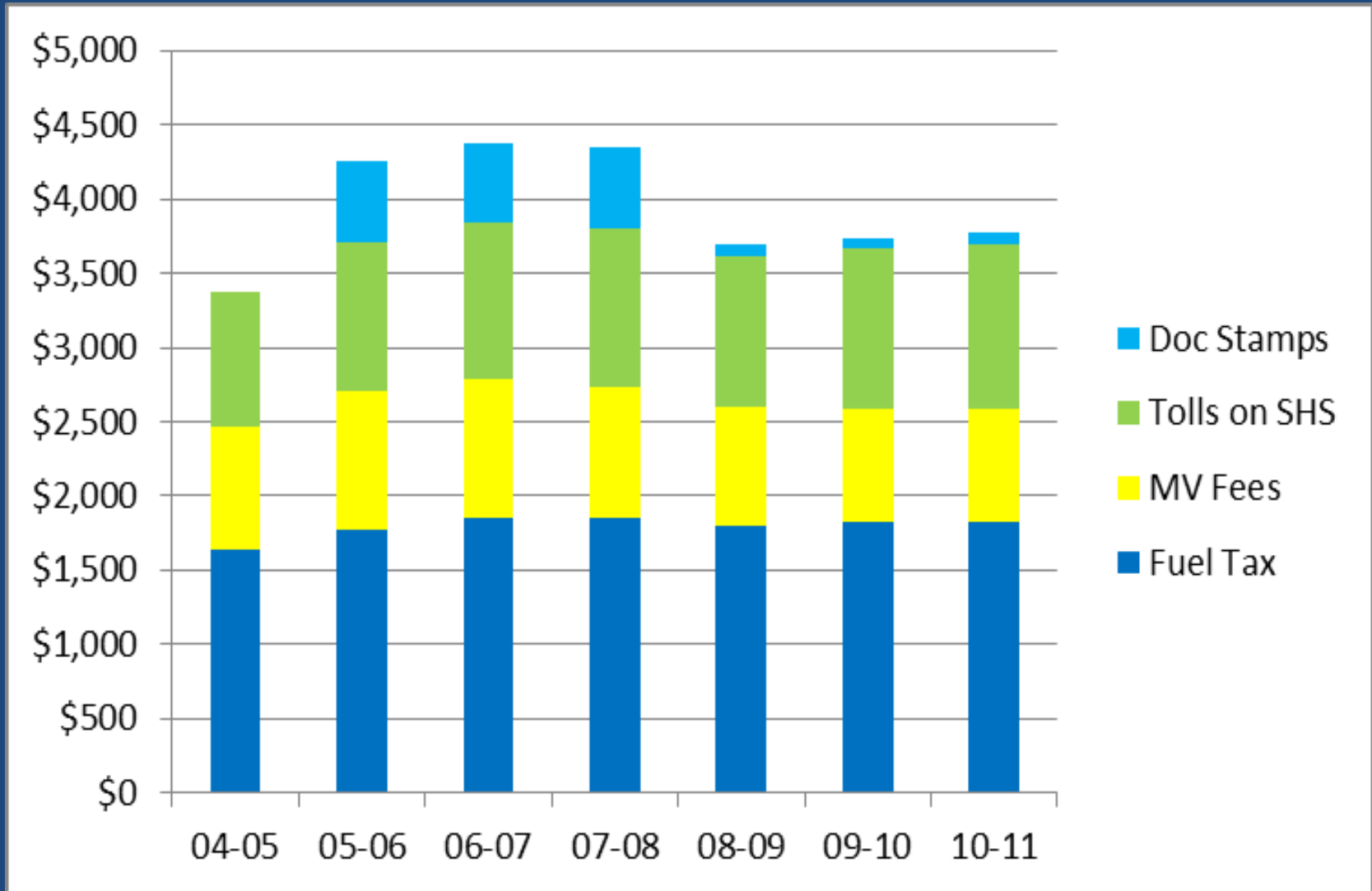
- Two Committees created by SAFETEA-LU, plus a host of well regarded groups have suggested
 - Short-Term – raise Federal gas tax
 - Move to new revenue method – “Pricing” the transportation system
- No traction to date on the key revenue options outlined in these studies

Communication Gap

Revenue sources/needs for transportation not well understood by the public

- Gas tax amount for Federal, State and in the case of Florida, local, not shown as part of price of gas/diesel
- Gas tax does not adjust like sales tax as a percent of the purchase price for gas/diesel
- Other sources for transportation funding not well known – normally motor vehicle fees
- Transportation needs not well understood

State Transportation Funding Update



The Ugly

- Impact to the Florida DOT Work Program Through 2011 Legislative Session
- Federal Program with no further General Revenue support
- No replacement to the gas tax apparent in the near or medium term
- Transportation Needs continue

Cash vs. Commitment Impacts

Time Frame	Cash	Impact	Commitment Impact
November 2006		(\$140) M	(\$164) M
March 2007		(\$232) M	(\$400) M
November 2007		(\$847) M	(\$1,409) M
March 2008		(\$339) M	(\$563) M
June 2008*		(\$931) M	(\$1,312) M
August 2008 (GM)		(\$390) M	(\$533) M
November 2008		(\$1,303) M	(\$2,131) M
November 2008 (GM)		(\$539) M	(\$721) M
March 2009		(\$817) M	(\$1,112) M
March 2009 (GM)		(\$702) M	(\$960) M
June 2009* (2009 Legislative Sweep)		(\$120) M	(\$171) M
August 2009 (GM)		\$197 M	\$215 M
November 2009**		\$380 M	\$329 M
December 2009 (GM)**		(\$72) M	(\$118) M
February 2010		(\$488) M	(\$829) M
March 2010 (GM)		(\$42) M	(\$102) M
August 2010		\$38 M	\$63 M
August 2010 (GM)		\$21 M	\$16 M
December 2010		(\$177) M	(\$251) M
March 2011		(\$236) M	(\$314) M
March 2011 (GM)		\$40 M	\$64 M
June 2011***		(\$415) M	(\$294) M
Total		(\$7,115) M	(\$10,697) M

*This was not part of the REC, but part of the Legislative Session.

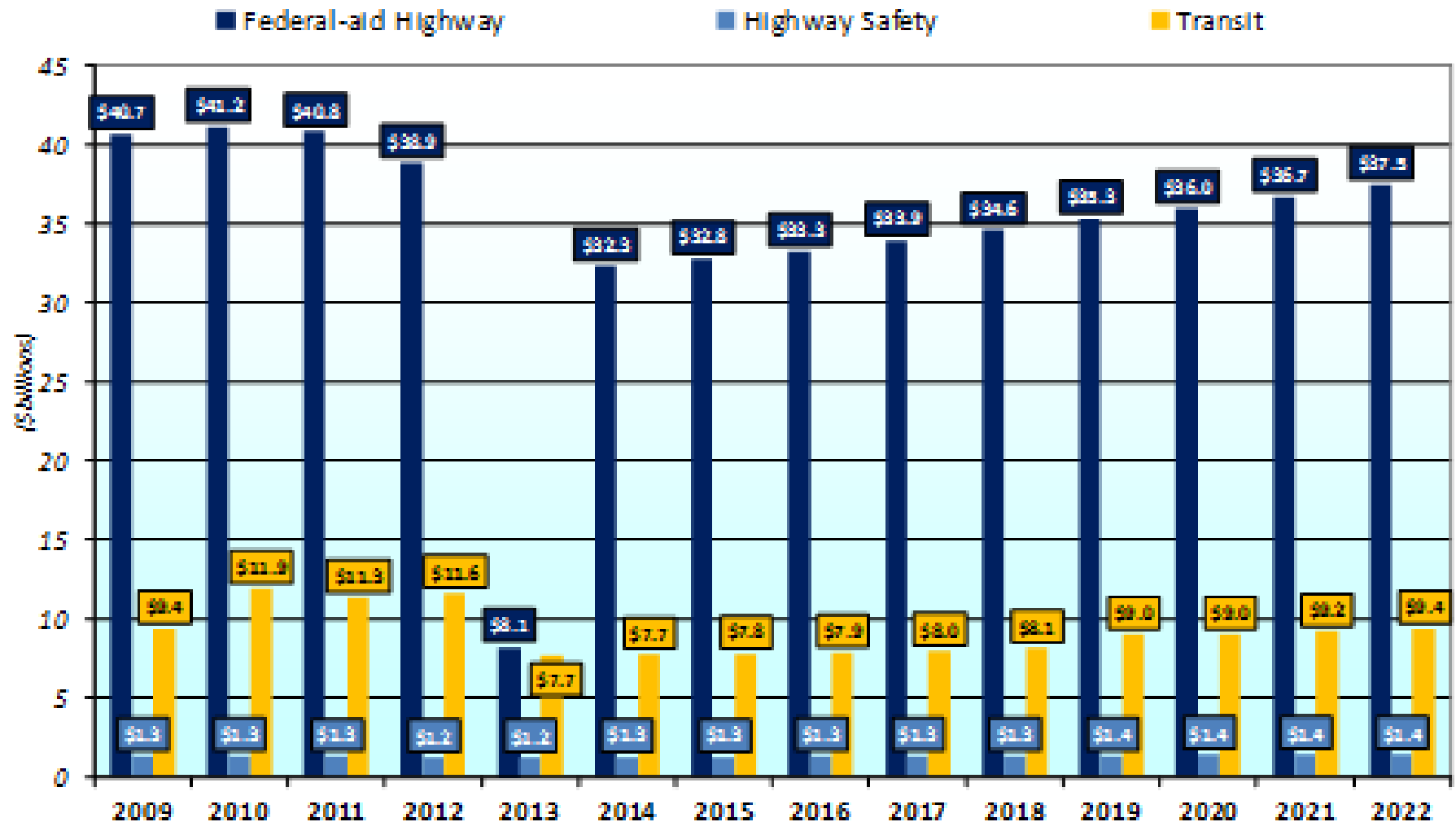
**Includes impact of 2009 Special Legislative Session

*** Includes impact of 2011 Legislative Session

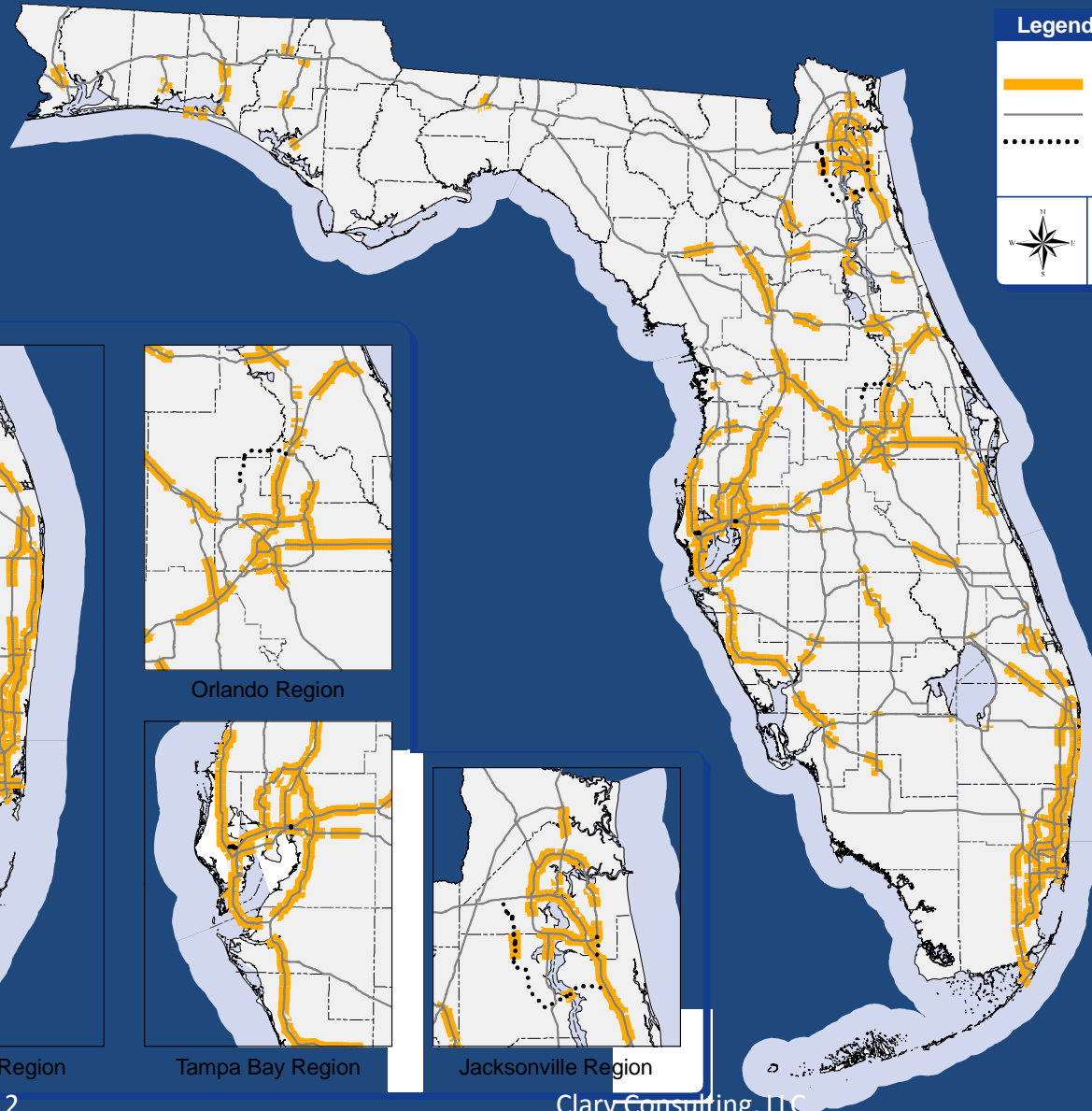
Totals may not add due to rounding.

Estimation of Federal Highway and Transit Obligations Through 2022

Maintaining current services through FY 2022;
Assuming "minimum prudent balance" of \$4 billion in Highway Account and \$2 billion in Mass Transit Account;
Assumes historical General Fund appropriation

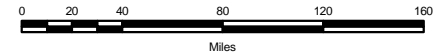


Current & Future Heavily Congested Corridors



Legend

- Heavily Congested Corridors as of Year 2020¹
- Existing SIS/ESIS Facilities
- Planned SIS/ESIS Facilities



Notes:

- Heavy congestion in Urban Areas means that traffic is either moving bumper to bumper or is stop and go during peak periods (Level of Service E or worse).

- Heavy congestion in Rural Areas means that passenger and truck traffic is so heavy during peak periods that changing lanes is very difficult (Level of Service D or worse).

1) 2020 System includes lanes added as a result of constructing the Ten-Year Plan through 2020 with Growth Management Funds.

2) 2035 System includes lanes added as a result of constructing the Ten-Year Plan through 2020 with Growth Management Funds and the SIS Cost Feasible Plan through 2035.

Traffic data is as of 2008 by the FDOT Transportation Statistics Office



State of Florida
Department of Transportation
Intermodal Systems Development
Systems Planning Office



Southeast Region

3/22/2012

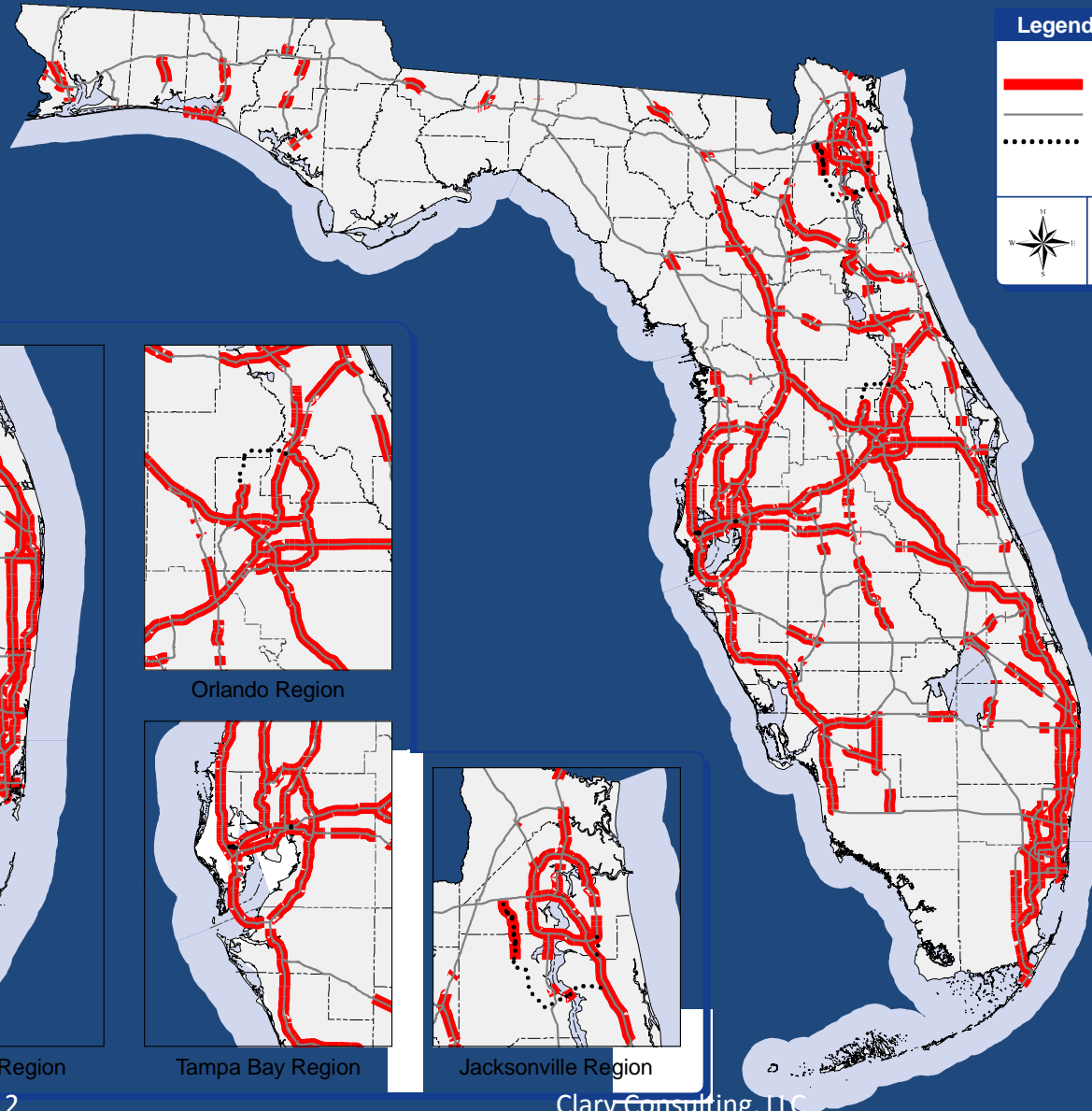
Tampa Bay Region

Jacksonville Region

Clary Consulting, LLC

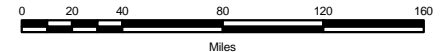
2020

Current & Future Heavily Congested Corridors



Legend

- Heavily Congested Corridors as of Year 2035²
- Existing SIS/ESIS Facilities
- Planned SIS/ESIS Facilities



Notes:

- Heavy congestion in Urban Areas means that traffic is either moving bumper to bumper or is stop and go during peak periods (Level of Service E or worse).

- Heavy congestion in Rural Areas means that passenger and truck traffic is so heavy during peak periods that changing lanes is very difficult (Level of Service D or worse).

1) 2020 System includes lanes added as a result of constructing the Ten-Year Plan through 2020 with Growth Management Funds.

2) 2035 System includes lanes added as a result of constructing the Ten-Year Plan through 2020 with Growth Management Funds and the SIS Cost Feasible Plan through 2035.

Traffic data is as of 2008 by the FDOT Transportation Statistics Office



State of Florida
Department of Transportation
Intermodal Systems Development
Systems Planning Office



Southeast Region

3/22/2012

Tampa Bay Region

Jacksonville Region

Clary Consulting, LLC

2035

Hope for the Future

- Transportation program is solid for “basics”
- Florida has been an innovator
- Tolls are a close cousin of “Pricing”
- Willingness to provide choices to the travelling public in congested areas
 - Express Lanes
 - Transit
- Strong focus on movement of freight

Base Program Funded

- Florida State legal/policy objectives support operations/maintenance/preservation of existing state transportation system and funding supports these objectives
- Ensures Florida will not go BACKWARDS on the existing transportation system which would create much bigger funding challenges

Innovation

- Prioritize the Big Challenges
- Must be open to any and all tools
 - Partnerships on funding – beneficiaries pay
 - User fees such as tolls – could be link to “pricing” the larger transportation system to replace gas tax
 - Express Lanes in congested urban corridors
 - Design-Build-Finance and Public-Private Partnerships where appropriate
 - Market priced services

Transportation Choices

- 95 Express has been a “success”
 - Choice of guaranteed express service for a fee or use regular lanes
 - Improved overall flow of all lanes in the corridor
 - South Florida expanding to a express lane network and studying in Tampa Bay and Orlando areas
- Transit service and coordination with intermodal centers and other modes of transportation

Focus on Freight

- The movement of goods is a key focus of the Florida Strategic Intermodal System
- Key focus on intermodal connectors – “last mile” for freight movements
- Focus on deep water seaports, Miami International Airport (very heavy freight traffic), freight rail, and major highways to move goods

Funding Challenges

Funding for transportation has become much more unpredictable

- Growth Management Doc Stamps Funding
- Federal Stimulus (ARRA) and General Funds
- Federal Highway Trust Fund
- Gas Tax Collections
- Vehicle miles travelled
- Growth will return



Considerations

- Government complete early work on key projects:
 - Project Development and Environmental with stronger focus on financial feasibility
 - Engineering to identify Right-of-Way
 - Ready to use one time/new funds when available
- User fees and advance funding on key projects
 - Design-Build-Finance and P3s
 - Toll new capacity and selected existing capacity when combined with new capacity such as bridges

Considerations

- Strive for most flexible Federal Program
 - Major consolidation of Federal categories
 - Streamline approval processes
 - Flexibility in shifting funds among modes of transportation similar to Florida SIS Program
 - Ability to toll where supported by State and locals
- Continue to focus on providing choices to the traveling public such as express lanes

Summary

- Innovations successful, needs still great
- Gas Tax loosing “buying power”
- Transportation funding unpredictable
- Government get early project work done
- User fees and advance funding on key projects
- Flexibility in Federal funding
- Provide choices for traveling public
- Be flexible