

# *Federal Credit Assistance for Ports*

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***T**ransportation  
**I**nfrastructure  
**F**inance and  
**I**nnovation  
**A**ct*

*2006 Finance Seminar  
American Association of Port Authorities  
Baltimore, Maryland  
May 16, 2006*

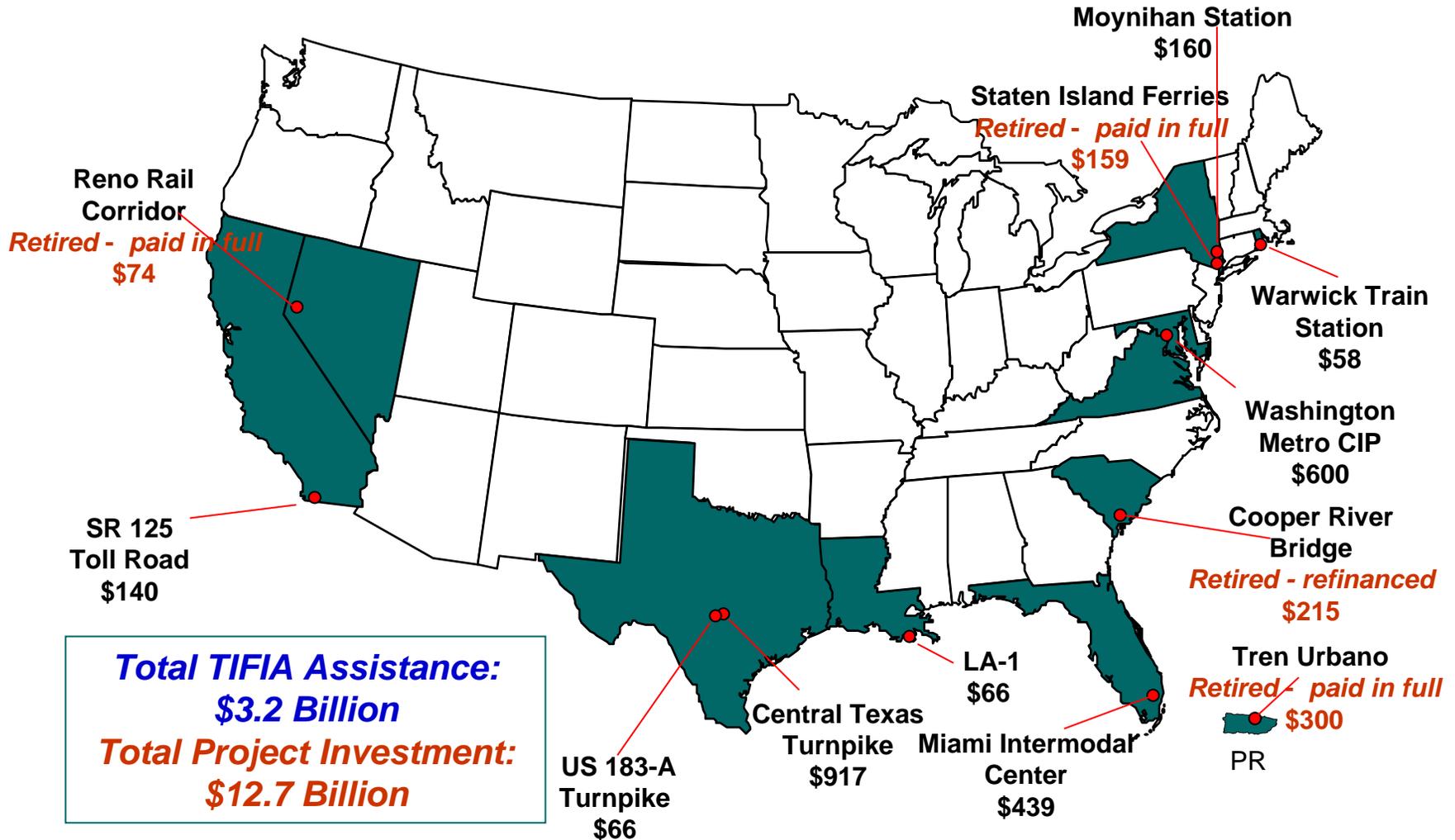
## ***Transportation Infrastructure Finance and Innovation Act of 1998***

- ✓ Goal: to leverage limited Federal resources and stimulate private investment by providing credit assistance rather than grants to transportation projects of national or regional significance.
- ✓ Project cost > \$50 million (\$15 million for ITS projects)
- ✓ TIFIA contribution up to 33 percent of project costs
- ✓ Senior debt must be rated investment grade
- ✓ Federal grant requirements apply
- ✓ Public or private highway, transit, rail and port projects are eligible to apply for TIFIA assistance

- ✓ Secured (Direct) Loan: Maximum term of 35 years from substantial completion. Repayments must start 5 years after substantial completion.
- ✓ Loan Guarantee: Guarantees a project sponsor's repayments to non-Federal lender. Loan repayments to lender must commence no later than 5 years after substantial completion of project.
- ✓ Line of Credit: Contingent loan available for draws as needed up to 10 years after substantial completion of project.

# Approved Projects

(Federal Credit Assistance in Millions)



# How Does TIFIA Help Projects?



By enabling “borderline” projects access to the capital markets through the provision of secondary or subordinate debt.

By being a patient investor – with a long-term perspective on investment horizon, liquidity and risk.

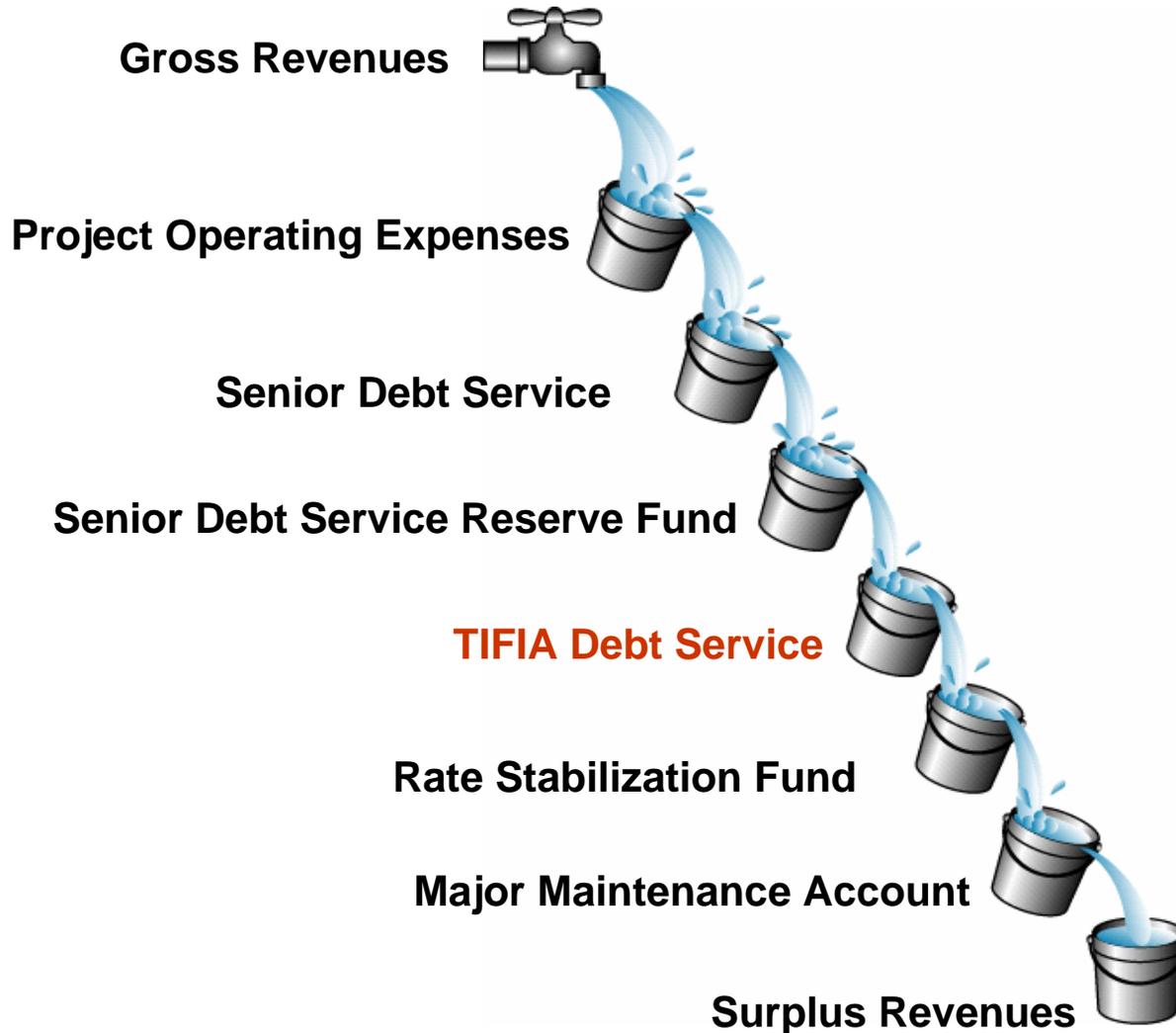
Key objectives:

- ✓ Facilitate projects of national/regional significance
- ✓ Encourage new revenue streams and private participation
- ✓ Fill capital market gaps for secondary/subordinate capital
- ✓ Limit Federal exposure by relying on market discipline

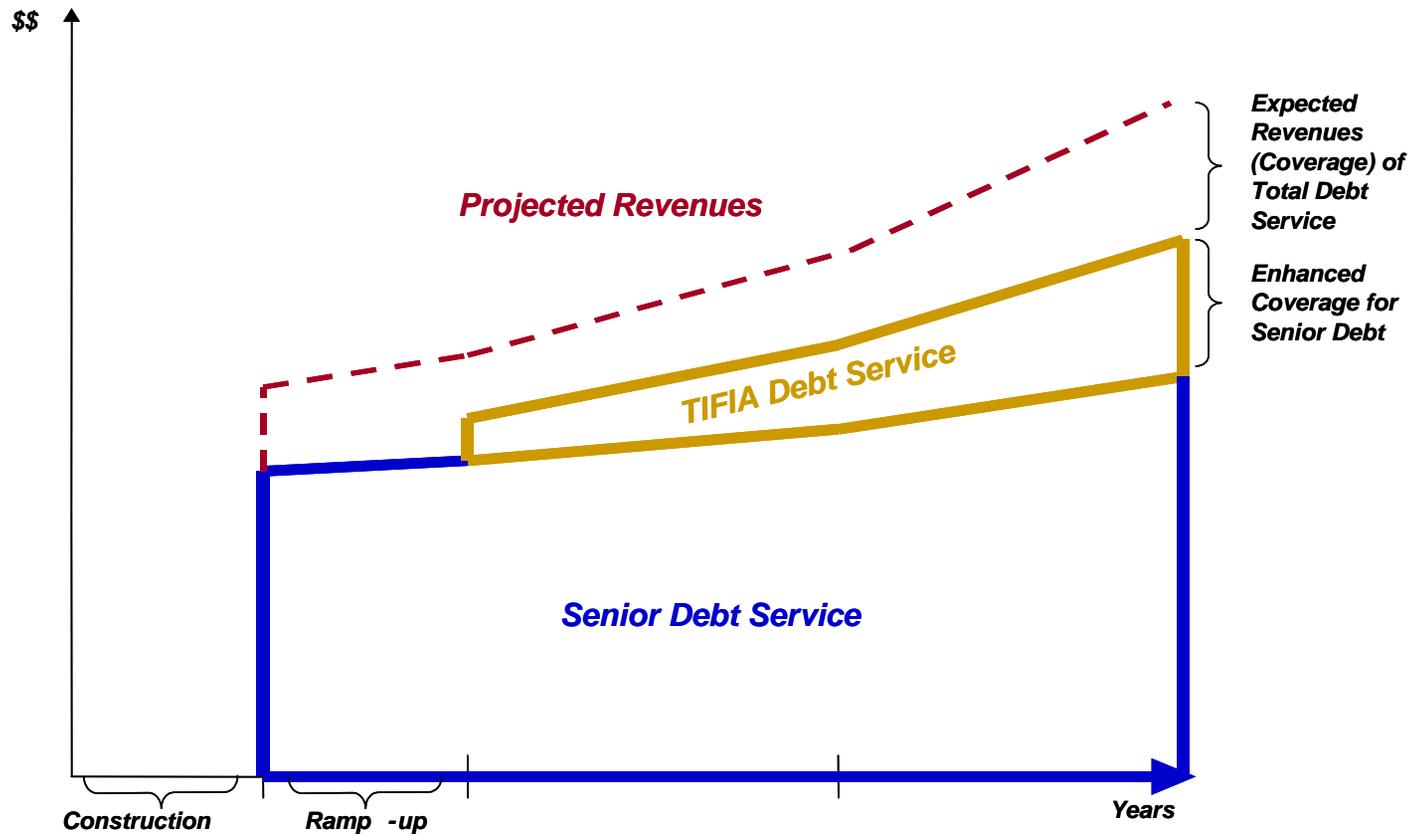
TIFIA can provide loan structuring advantages to borrowers:

- ✓ Long term, fixed cost, up-front financing
- ✓ Senior or subordinate lien
- ✓ Flexible amortization
- ✓ No pre-payment penalty
- ✓ Low interest rates
- ✓ Commit up front, lock interest rate at no cost
- ✓ Borrow as needed
- ✓ No negative arbitrage
- ✓ Borrower may be minimum investment grade
- ✓ No recourse financing—project cash flow supported

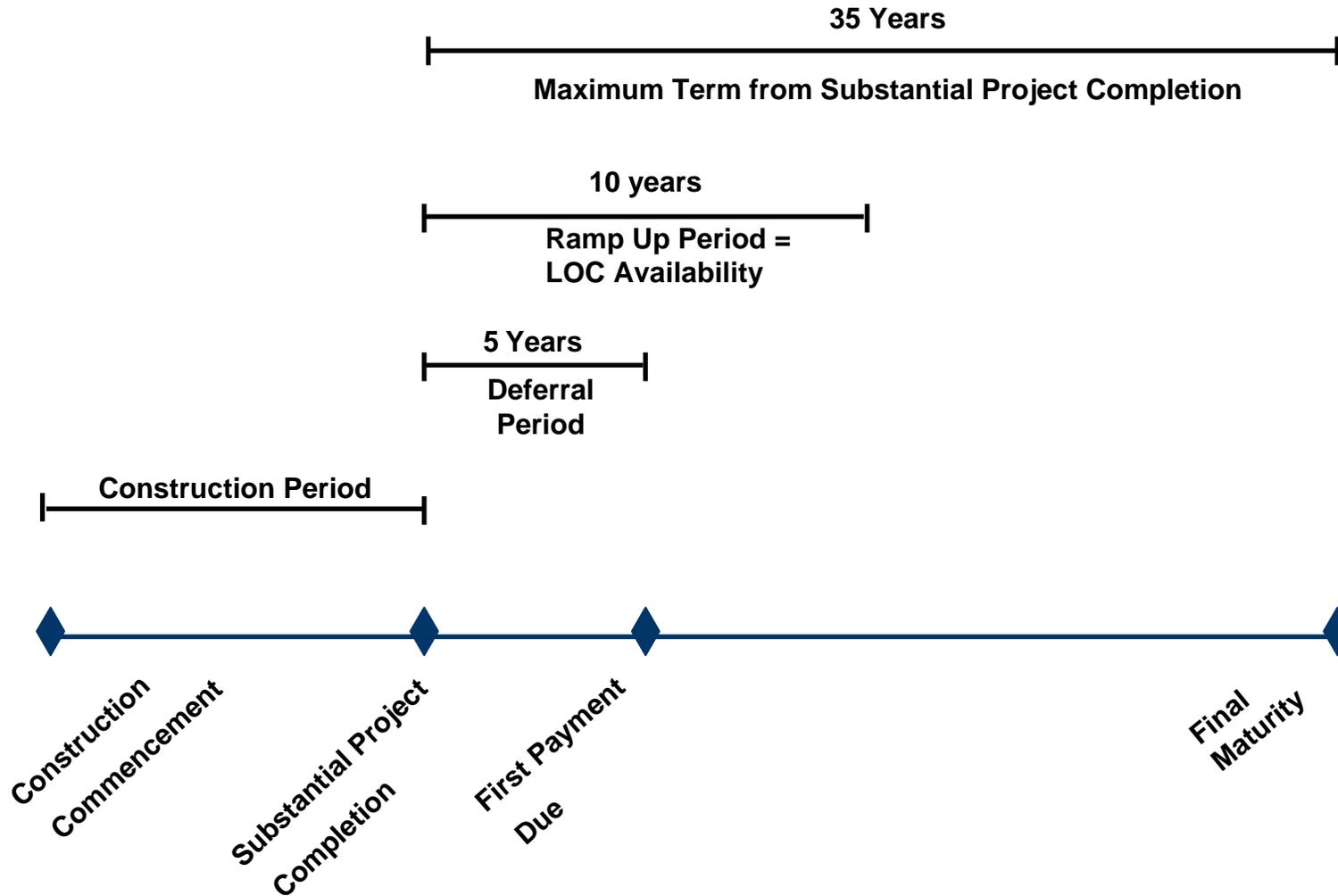
# Example of Project Flow of Funds



# Subordination Enhances Senior Debt



# TIFIA Payment Structure



# Selected Projects – Key Features

Project		Key Credit Features
Miami Intermodal Center Rental Car Facility		TIFIA is senior debt. Project Life Cover Ratio used as a trigger for contingent rent and rental car fee increases.
South Bay Expressway		•Mandatory/Scheduled Debt Service Structure
Staten Island Ferries		•Alternative payment schedules
Reno Rail Corridor - ReTRAC		• Structured in three separate loans each backed by different revenue pledge
Central Texas Turnpike		•TIFIA takeout of BANs, depending on cost effectiveness.  •Alternative payment schedules
183-A Turnpike		•TIFIA takeout of BANs  •Mandatory/Scheduled Debt Service Structure
LA-1		•TIFIA takeout of BANs

- Eligibility extended:
  - ✓ Private freight rail facility providing public benefits
  - ✓ Port improvements necessary for intermodal access
- Project thresholds lowered:
  - ✓ \$100 million to \$50 million
  - ✓ ITS threshold lowered from \$30 million to \$15 million
- “Work-out” authority enhanced:
  - ✓ 10-year limit on ability to defer loan repayments removed
- Line of credit improved:
  - ✓ Reserve funds need not be tapped before TIFIA draw
  - ✓ 20 percent annual limitation removed

## ***“(D) a project that –***

(i) is a project –

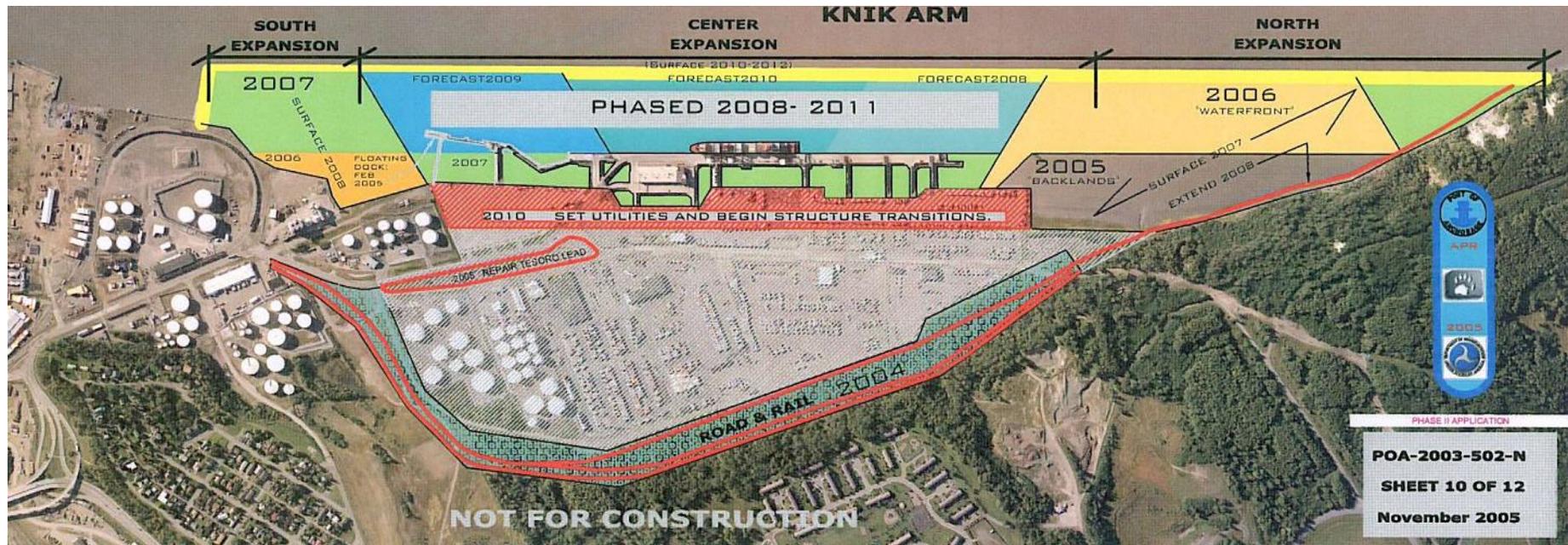
- (I)** for a public freight rail facility or a private facility providing public benefit for highway users;
- (II)** for an intermodal freight transfer facility;
- (III)** for a means of access to a facility described in subclause (I) or (II);
- (IV)** for a service improvement for a facility described in subclause (I) or (II) (including a capital investment for an intelligent transportation system); or
- (V)** that comprises a series of projects described in subclauses (I) through (IV) with the common objective of improving the flow of goods;

(ii) may involve the combining of private and public sector funds, including investment of public funds in private sector facility improvements; and

***(iii) if located within the boundaries of a port terminal, includes only such surface transportation infrastructure modifications as are necessary to facilitate direct intermodal interchange, transfer, and access into and out of the port.”***

- ◆ **Location:** Anchorage, Alaska.
- ◆ **Project:** Expansion of port facility originally constructed in 1960: new rail line; new berthing space; deepening of ship channel; expansion of intermodal terminal yards; new intermodal terminal facilities and new administrative and maintenance facilities.
- ◆ **Sponsor:** Port of Anchorage, an agency of the municipality of Anchorage.
- ◆ **Major Activity:** Petroleum products have greatest share of tonnage but two major cargo carriers, TOTE & HORIZON, occupy 68% of terminal footprint and provide 58% of revenue.
- ◆ **Cost:** Estimated eligible project cost is \$ 369.2 million.

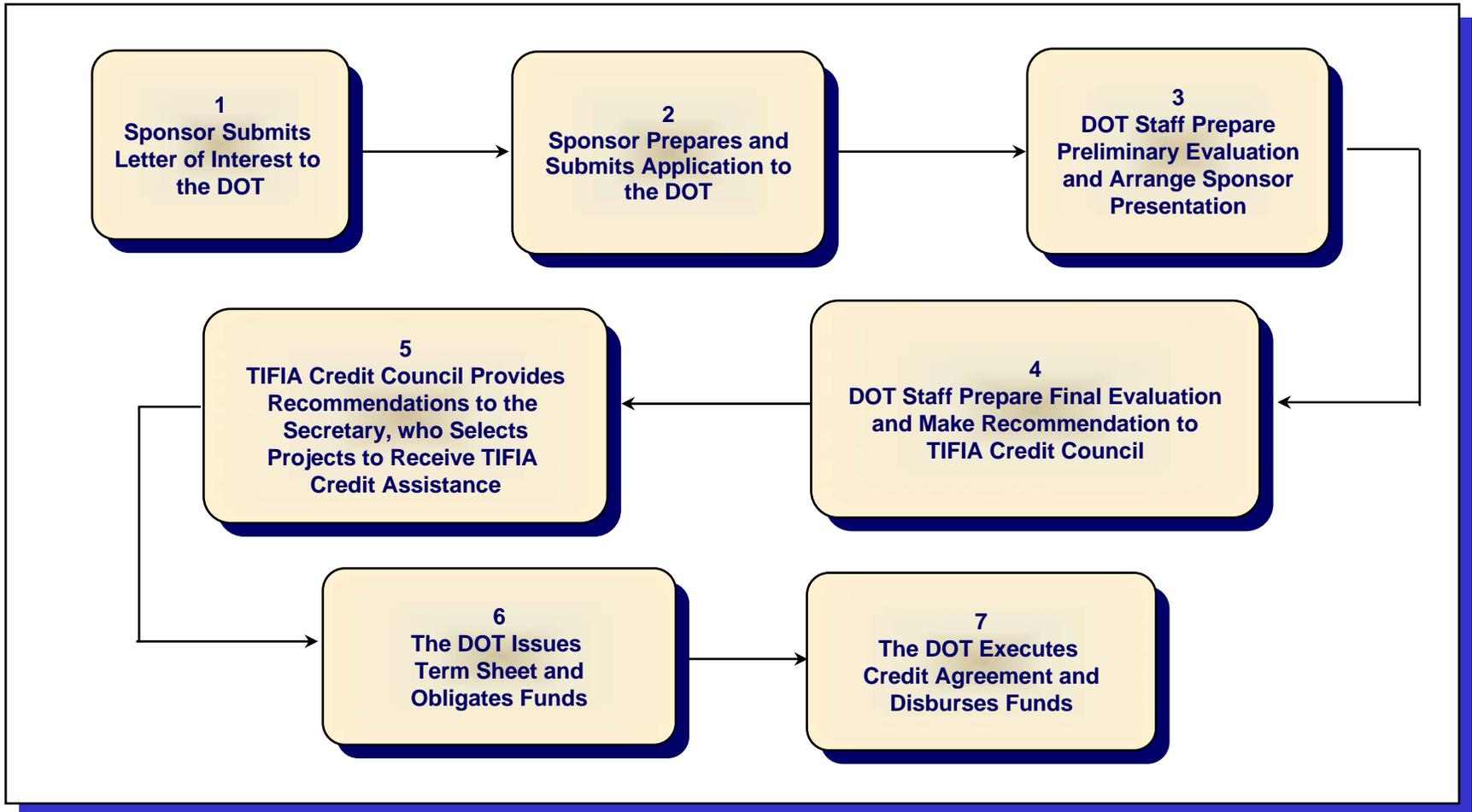
# Port of Anchorage: Project Overview



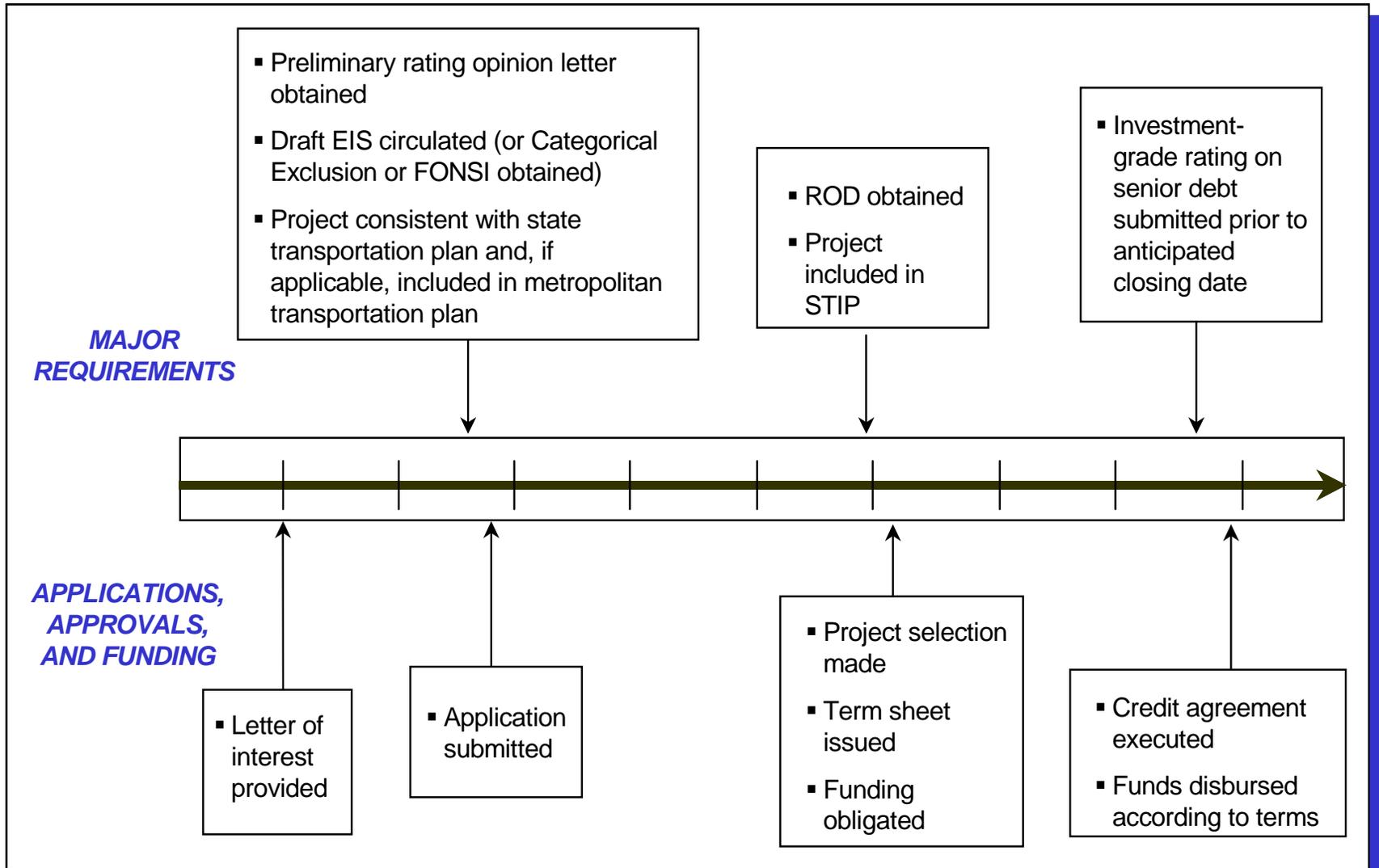
1. Replace and upgrade port infrastructure
2. Purchase new port equipment
3. Expand leasable land

- ◆ **Credit Instrument:** Direct Loan  
(to be drawn during 2007-2011)
- ◆ **Amount Requested:** \$50 million  
(est. 14% of eligible project costs)
- ◆ **Repayment Sources:** TIFIA loan secured by port revenues derived primarily from tariffs and leases
- ◆ **Terms:** Interest payments begin 2008 and principal payments begin in 2012. Level debt service. Final maturity in 2041.

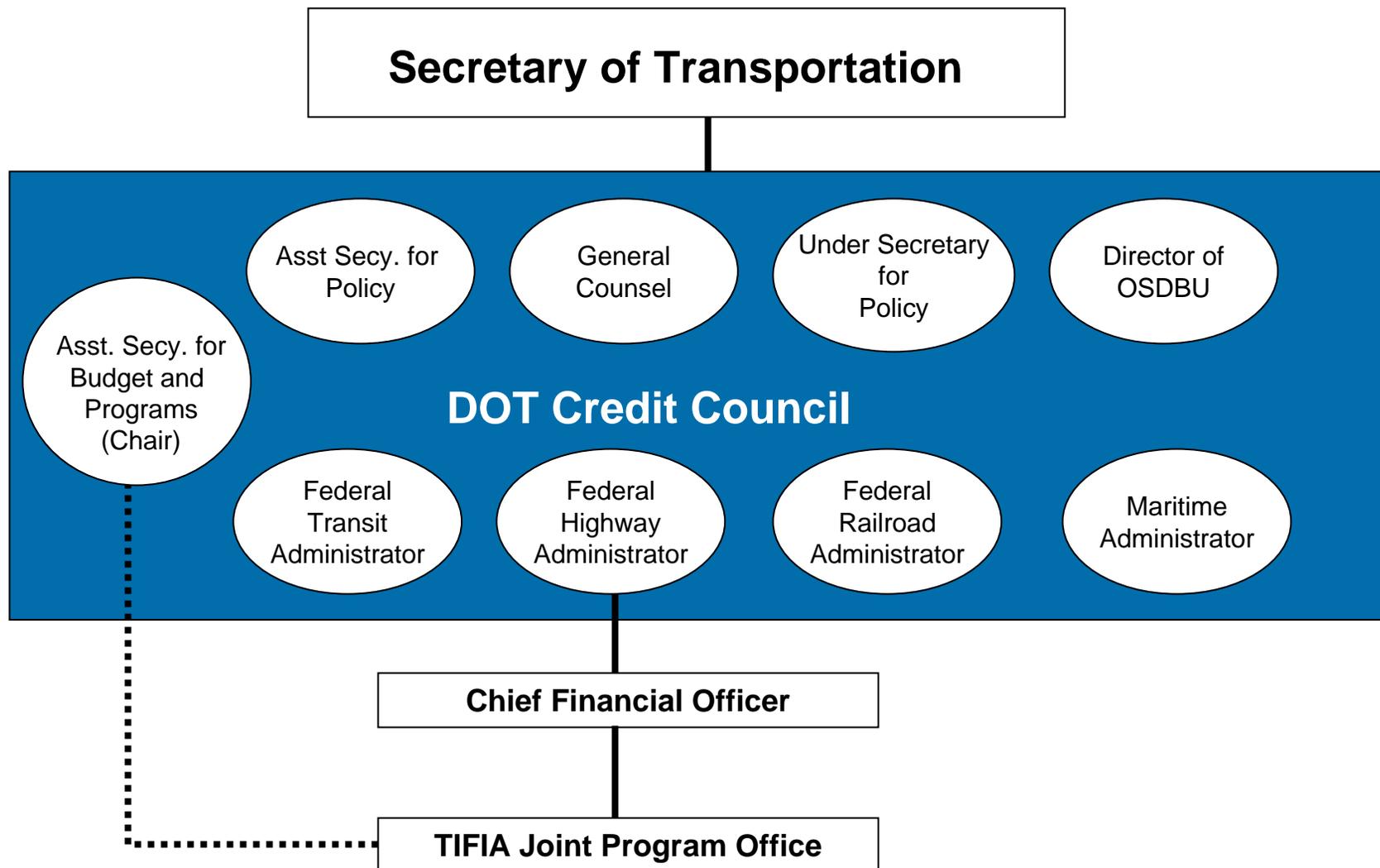
# Project Selection & Funding



# Documentation Requirements



# Organizational Framework



# Key TIFIA Contractual Documents

Document	Major Prerequisites	Resulting Action
<b>Term Sheet</b>	<p>Credit Assessment: Preliminary rating opinion letter on senior debt</p> <p>Environmental Clearance: ROD, FONSI, or Categorical Exclusion</p> <p>Planning Consistency: Inclusion in the STIP and long range plan</p>	<p>Defines amount of TIFIA credit assistance committed</p> <p>Obligates contract authority</p> <p>Establishes interest rate for line of credit</p>
<b>Credit Agreement</b>	<p>Credit Assessment: Investment grade credit rating on senior debt</p> <p>Appropriate Security Features: Rate covenants, etc.</p> <p>Updated Financial Plan: All necessary funds committed to the project</p>	<p>Defines final terms of assistance</p> <p>Establishes interest rate for secured or guaranteed loan</p> <p>Authorizes submission of requests for disbursement of funds</p>

- SAFETEA-LU amends section 142 of IRS code to authorize \$15 billion in exempt facility bonds for qualified highway or surface freight transfer facilities:
  - ✓ Any surface transportation project which receives Federal assistance under title 23,
  - ✓ Any project for an international bridge or tunnel which receives Federal assistance under title 23,
  - ✓ Any facility for the transfer of freight between truck and rail which receives Federal assistance under title 23 or title 49.
- The \$15 billion in authority is not subject to state volume caps
- The Secretary of Transportation shall allocate the \$15 billion as the Secretary deems appropriate.

# For More Information



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