



Module 3: P3, Funding, and Finance

P3 WORKSHOP FOR PLANNERS

July 2018

Funding versus Financing

Funding

- Existing sources
 - Federal grants
 - State grants
 - Local contributions
- Possible new sources
 - Project generated revenues
 - Value capture
 - Other fees/taxes

Financing

- Loans
 - Private bank loans
 - TIFIA
 - State Infrastructure Bank (SIB) loans
 - Section 129 loans
- Bonds
 - Private Activity Bonds (PABs)
 - Corporate bonds
 - Project revenue bonds
- Equity
 - Requires higher rate of return to compensate for risk

Example: Maryland Purple Line

- DBFOM , Availability Payment mechanism with 35 year duration
- The financing plan includes TIFIA federal credit and an allocation of PABs
- Payment terms are linked to performance
 - Milestone payments
 - Availability Payments (AP)
- Funding for the Milestone and Availability Payments (in US billions)

▪ State Funding	\$3.3
▪ Local Funding	\$0.330
▪ FFGA	\$0.900
▪ Fare-box Projections	<u>\$1.36</u>
	\$5.89

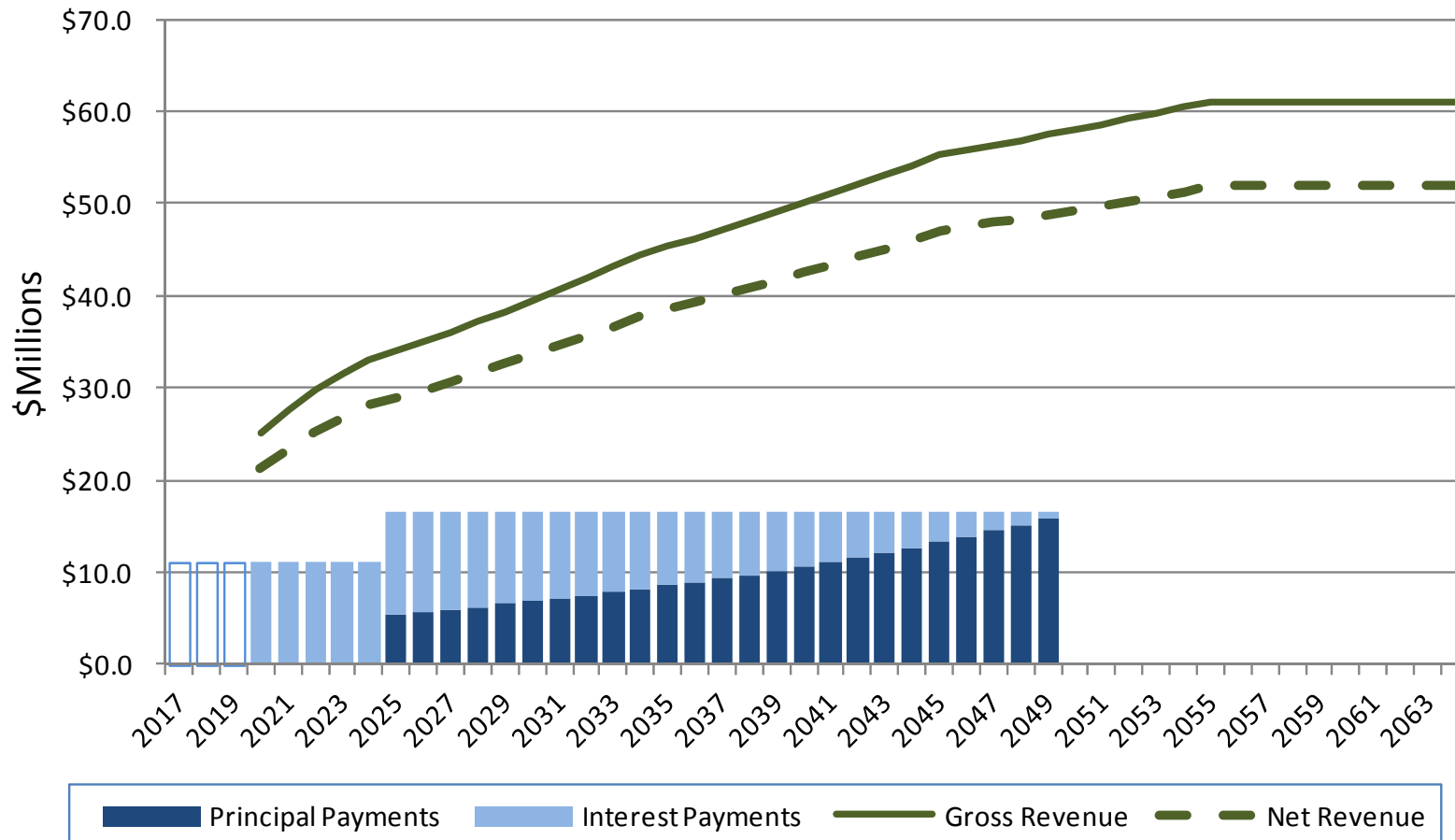
P3 Project Finance

- Use of project revenues is restricted
- Structure insulates the public authority and private investors from project bankruptcy
- Can be structured off of the public and private balance sheet
 - Provided no contingent obligations
 - Availability Payments a special consideration
 - Expands financing capacity

Incorporating P3 Project Finance into the Planning Process

Appendix

Initial Bond Sizing Example



Initial Bond Sizing Example

	INITIAL SIZING	
Senior Current Interest Bonds	\$245,260,000	47%
Senior CABs	-	0%
Subordinated TIFIA Loan	-	0%
Private Equity Investment	-	0%
Public Sector Contribution	266,323,619	51%
Investment Earnings	9,410,281	2%
<u>Total Sources of Funds</u>	<u>\$520,993,900</u>	
Project Costs	\$450,000,000	86%
Pre-Development Costs	6,000,000	1%
Issuance Costs	7,357,800	1%
Capitalized Interest	33,110,100	6%
Debt Service Reserve Fund	24,526,000	5%
<u>Total Uses of Funds</u>	<u>\$520,993,900</u>	

Options for Reducing Funding Gaps

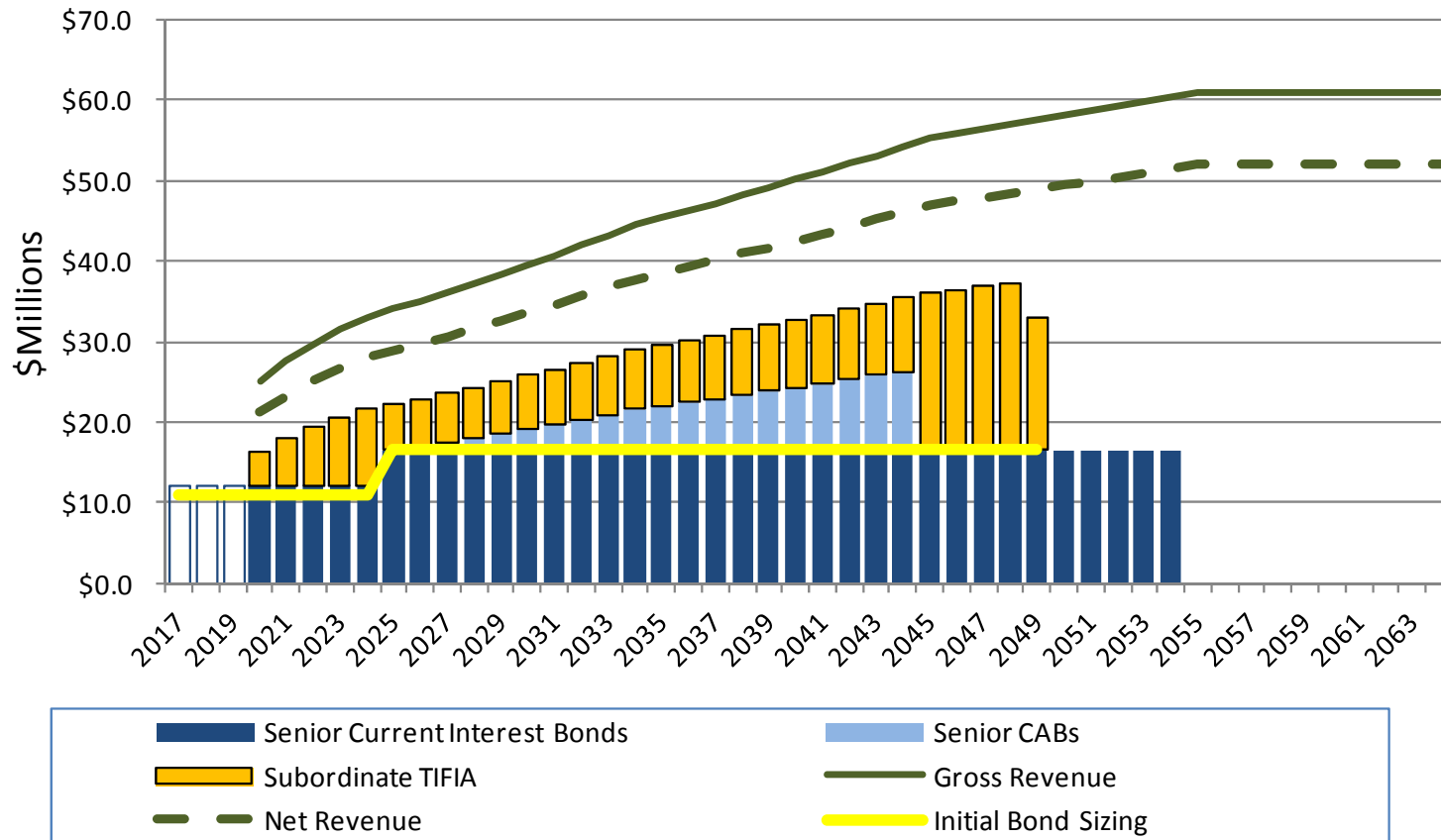
Project Related

- Optimize revenue (alignments, toll schedule, value pricing)
- Modify project scope (value engineering, phasing)

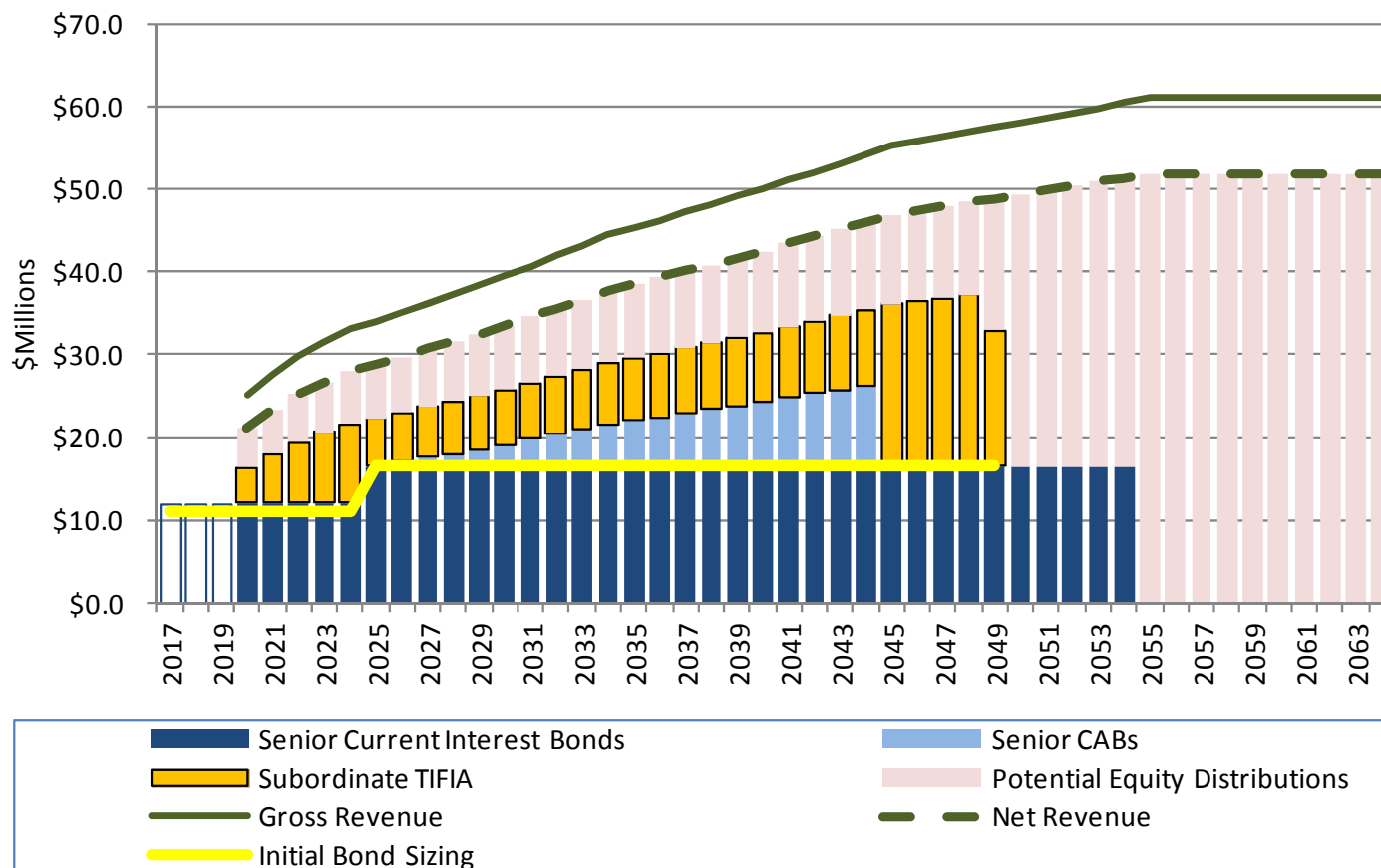
Finance Related

- Issue subordinate lien debt
- Issue Capital Appreciation Bonds
- Extend debt maturities
- Lower debt service coverage requirements
- Subordinate O&M expenses
- Third-party credit enhancement

Tax-Exempt Structure with TIFIA



Finance Plan with PABs, TIFIA and Equity



Summary of Hypothetical Project Finance Options

	INITIAL SIZING		REVISED PLAN WITH TIFIA		REVISED PLAN WITH TIFIA AND EQUITY	
Senior Current Interest Bonds	\$245,260,000	47%	\$269,415,000	51%	\$269,415,000	51%
Senior CABs	-	0%	33,087,278	6%	33,087,278	6%
Subordinated TIFIA Loan	-	0%	150,000,000	28%	150,000,000	28%
Private Equity Investment	-	0%	-	0%	69,221,164	13%
Public Sector Contribution	266,323,619	51%	69,221,164	13%	-	0%
Investment Earnings	9,410,281	2%	9,972,879	2%	9,972,879	2%
<i>Total Sources of Funds</i>	\$520,993,900		\$531,696,321		\$531,696,321	
Project Costs	\$450,000,000	86%	\$450,000,000	85%	\$450,000,000	85%
Pre-Development Costs	6,000,000	1%	6,000,000	1%	6,000,000	1%
Issuance Costs	7,357,800	1%	9,075,068	2%	9,075,068	2%
Capitalized Interest	33,110,100	6%	36,371,025	7%	36,371,025	7%
Debt Service Reserve Fund	24,526,000	5%	30,250,228	6%	30,250,228	6%
<i>Total Uses of Funds</i>	\$520,993,900		\$531,696,321		\$531,696,321	