

## **SH 99 in Harris and Montgomery Counties SB 1420 Committee 12/15/11 Meeting - ACTION ITEMS**

1. Holzwarth requested a detailed delivery schedule to include all financing information (Nossaman)
  - See Exhibits 1, 2, 3
2. Holzwarth – Asked that clarification be made to address: (KPMG/Nossaman)
  - Respondents did not have the most recent WSA traffic study.

Response: At the time the RFI was advertised the current WSA traffic study was not available. The procurement website was updated on October 4, 2011 to make available the September 14, 2011 traffic forecast.

- Respondents did not know that revenue from Segment E would be available to support the Segments F1, F2 and G.

Response: The following information was provided to potential developers in the RFI and One-on-Ones. This language specifically excludes Segment G because Montgomery County had not waived primacy at this point in time.

### **Initial Project Scope under Proposed CDA**

The Grand Parkway components proposed to be included in the scope of the initial CDA described in this RFI (“Project”) are subject to the MVW Agreement. Initial Project scope components are illustrated on the map on the project website and include the development, design, construction, financing, maintenance, and/or operation of portions of the Grand Parkway project from the northern most portion of Segment D in Harris County to Segment I-2 in Chambers County as described in Minute Order 112629 of March 31st, 2011. Segments included in the initial Project scope are described as follows:

**Segments for Operation and Maintenance:** The portion of Segment D in Harris County, all of Segment E in Harris County, all of Segments F-1 and F-2 in Harris County, that portion of Segment G in Harris County and a portion of Segment I-2 in Chambers County are candidate segments for operation and maintenance responsibilities under this CDA. Under separate contracts, TxDOT is completing construction of Segments D and E in Harris County and is implementing toll operation on the existing portion of Segment I-2 in Chambers County.

**Segments for Development:** Segments F-1 and F-2 in Harris County and that portion of Segment G in Harris County are candidate segments to be financed, developed, constructed, operated and maintained under this CDA.

**Segment Contingent on Primacy:** That portion of Segment G in Montgomery County may be included as a candidate segment to be financed, developed, constructed, operated and maintained under this CDA should Montgomery County rescind their option for this segment under the terms and conditions of the MVW Agreement.

3. Holzwarth requested that TxDOT remodel the project without inflated numbers. (KPMG)
  - See Exhibit 4
4. Chair requested that the O&M model not only reflect DB and concession but also DBB. (Halcrow)
  - Information provided to Financial/O&M subgroup.
5. Chair requested that Eddie Sanchez meet with Phil Wilson and John Barton to discuss and consider a DBB delivery for this project. (E. Sanchez)

Administration Response: All delivery methods are still potentially viable and open for consideration for delivering the Grand Parkway project for Segments F1, F2, and G. However, TxDOT has committed to the partnering counties to deliver this project in an expeditious manner with the goal of having all segments open to traffic in 2015 if not sooner. The traditional design-bid-build model will make it extremely difficult to successfully meet this commitment. Therefore, the design-build and concession models are being given a great deal of attention and consideration as we all strive to deliver this project successfully and expeditiously.

6. Storey requested that Eddie Sanchez obtain clarification on the statement from administration "in order to obtain an agreement with Harris County we need to discuss their role as equity partner". (E. Sanchez)

Administration Response: A partner providing financial resources for the delivery of the project with a defined return on their investment that shares in the project's liabilities.

7. TxDOT team asked to revisit models to ensure that expansion triggers are included. (GEC/KPMG/Halcrow).
  - Information provided to Financial/O&M subgroup.
8. Holzwarth requested a detailed ROW acquisition schedule.
  - See Exhibit 5

**SH99 Grand Parkway****Updated: January 23, 2012****Updated financial feasibility analyses schedule**

Capital Cost Data	Date Expected	Status
Capital costs for Segments F-1, F-2 and G and expansions	--	Available
Capital costs for Segments B, C, H, I-1 and I-2 with no expansions	--	Available
Operations, Routine Maintenance and Lifecycle Cost Data	Date Expected	Status
Toll operations, routine operations and maintenance and lifecycle costs for Segments E, F-1, F-2 and G and expansions	--	Available
Toll operations, routine operations and maintenance costs for Segments B, C, H, I-1 and I-2	Mid-Feb	In progress
Financial Analysis Updates	Date Expected	Status
DB and Concession Analysis (Segments E, F-1, F-2 and G with expansions)	Early Feb	In progress
DB and Concession Analysis (Segments E, F-1, F-2 and G with expansions) to be deliver Segments H, I-1, I-2, B and C (Predicated on O&M completed by mid-Feb)	End of Feb	In progress

## SH99 Grand Parkway Financial Summary

Summary of updates to financial feasibility analyses (January 12, 2012)

### Definitions:

<b>Initial Scope</b>	4 lanes of Segments E, F-1, F-2 and G. Specific limits and components by delivery model are identified in the RFQ.
<b>Minimum Scope</b>	For analysis purposes only, Minimum Scope refers to Segments H, I-1, I-2, B and C (this analysis does not consider Segments A or D). Per the MVWA, the Minimum Scope includes all Segments of the Grand Parkway.
<b>Ultimate Scope</b>	Refers to the full build out of the Minimum Scope which includes all expansions and identified direct connectors within the Initial and Minimum Scope.
<b>Expansions</b>	For purposes of this updated analysis, the only expansions considered are mainlane expansions for the Initial Scope.

### Scope of Update to Financial Analysis:

<b>Initial Scope</b>	DB, DB/TELA and concession models will be updated to incorporate revised O&M and lifecycle costs.  O&M and lifecycle costs for any pre-existing pavement in the Grand Parkway (including frontage roads, structures, main lanes, etc.) are NOT included in this analysis.
<b>Minimum Scope</b>	Minimum Scope segments (i.e. H, I-1, I-2, B and C) will be analyzed to determine the earliest date each segment can be delivered without the need for additional subsidy.  Minimum Scope segments are assumed to be financed on the following basis <ul style="list-style-type: none"> <li>• DB using the following revenues: <ul style="list-style-type: none"> <li>- P-50 revenue estimates generated by each Minimum Scope segment</li> <li>- Excess revenues from the Initial Scope (after lifecycle)</li> <li>- Excess revenues generated by Expansions (if the Expansion occurs first)</li> </ul> </li> <li>• Concession payment proceeds plus Minimum Scope segment revenues as described above, if necessary.</li> </ul>
<b>Ultimate Scope</b>	Expansions to the Ultimate Scope including direct connectors are not considered in this analysis.

<b>Expansions</b>	<p>Expansions in the Initial Scope using demand-based trigger dates from the P-75 traffic forecast.</p> <p>Expansions will be financed first if the trigger dates are earlier than the Minimum Scope segments can be financed.</p> <p>Expansions will be financed on a DB basis using P-50 revenue estimates.</p> <p>Expansion trigger dates:</p> <table data-bbox="553 642 1373 814"><thead><tr><th><b>Segment</b></th><th><b>P-50 Expansion Dates</b></th><th><b>P-75 Expansion Dates</b></th></tr></thead><tbody><tr><td>E</td><td>2039</td><td>2034</td></tr><tr><td>F-1</td><td>2051</td><td>2040</td></tr><tr><td>F-2</td><td>2035</td><td>2031</td></tr><tr><td>G</td><td>2027</td><td>2024</td></tr></tbody></table>	<b>Segment</b>	<b>P-50 Expansion Dates</b>	<b>P-75 Expansion Dates</b>	E	2039	2034	F-1	2051	2040	F-2	2035	2031	G	2027	2024
<b>Segment</b>	<b>P-50 Expansion Dates</b>	<b>P-75 Expansion Dates</b>														
E	2039	2034														
F-1	2051	2040														
F-2	2035	2031														
G	2027	2024														

**SH 99 Grand Parkway  
Procurement Schedule**

Updated 01/17/12

<b>EVENT</b>	<b>DATE</b>	<b>RESPONSIBLE PARTIES</b>	<b>COMMENTS</b>
<b><i>Issue Request for Qualifications</i></b>	<b><i>November 18, 2011</i></b>	<b><i>TxDOT</i></b>	
Issue notice of SB 1420 Committee Meeting	November 18, 2011	TxDOT	
<b><i>SB 1420 Committee Meeting</i></b>	<b><i>November 29, 2011</i></b>	<b><i>SB 1420 Committee</i></b>	<b><i>Agenda: Elect Chair and Vice-Chair</i></b>
Issue notice for SB 1420 Committee meeting	December 8, 2011	TxDOT	
Last Day to Submit Questions	December 15, 2011	Proposers	
<b><i>SB 1420 Committee Meeting</i></b>	<b><i>December 16, 2011</i></b>	<b><i>SB 1420 Committee</i></b>	
<b><i>SB 1420 Committee Meeting</i></b>	<b><i>January 25, 2012</i></b>	<b><i>SB 1420 Committee</i></b>	<b><i>Agenda: Review the draft SB 1420 Report</i></b>
<b><i>Statement of Qualifications Due Date</i></b>	<b><i>February 1, 2012</i></b>	<b><i>Proposers</i></b>	
SOQ Evaluations	February 2, 2012 – March 2, 2012	TxDOT	
<b><i>Short-List Announced</i></b>	<b><i>March 2, 2012</i></b>	<b><i>TxDOT</i></b>	
<b><i>Issue Draft RFP for Industry Review</i></b>	<b><i>March 2, 2012</i></b>	<b><i>TxDOT</i></b>	
Environmental re-evaluation for Segments F-1, F-2 and G sent to FHWA	March 15, 2012	Houston District	
Commission Approval of Final RFP	April 26, 2012	Commission	

<b>EVENT</b>	<b>DATE</b>	<b>RESPONSIBLE PARTIES</b>	<b>COMMENTS</b>
FHWA Approval of Final RFP	April 27, 2012	FHWA	
<b><i>Issue Final RFP</i></b>	<b><i>May 1, 2012</i></b>	<b><i>TxDOT</i></b>	
Environmental re-evaluation for segments F-1, F-2 and G complete	May 31, 2012	FHWA	
<b><i>Proposal Due Date</i></b>	<b><i>August 15, 2012</i></b>	<b><i>Proposers</i></b>	
Proposal Evaluation	August 16 – September 17, 2012	TxDOT	
<b><i>Conditional Award</i></b>	<b><i>September 27, 2012</i></b>	<b><i>Commission</i></b>	
Final CDA Documents, proposal, financial forecast, etc. sent to LBB	October 15, 2012	TxDOT	
Final CDA Documents sent to OAG and FHWA	October 15, 2012	TxDOT	
<b><i>Contract Execution/Final Award</i></b>	<b><i>December 15, 2012</i></b>	<b><i>TxDOT &amp; Selected Proposer</i></b>	

**Explanation of the rationale for using different revenue estimates for the DB, DB/TELA and Concession Models**

Analysis of the Project using DB or DB/TELA (Public Sector) or the Concession (Private Sector) delivery models incorporates the use of different revenue estimates to reflect the difference of each party in its appetite for risk and its ability to absorb risk.

Public Sector

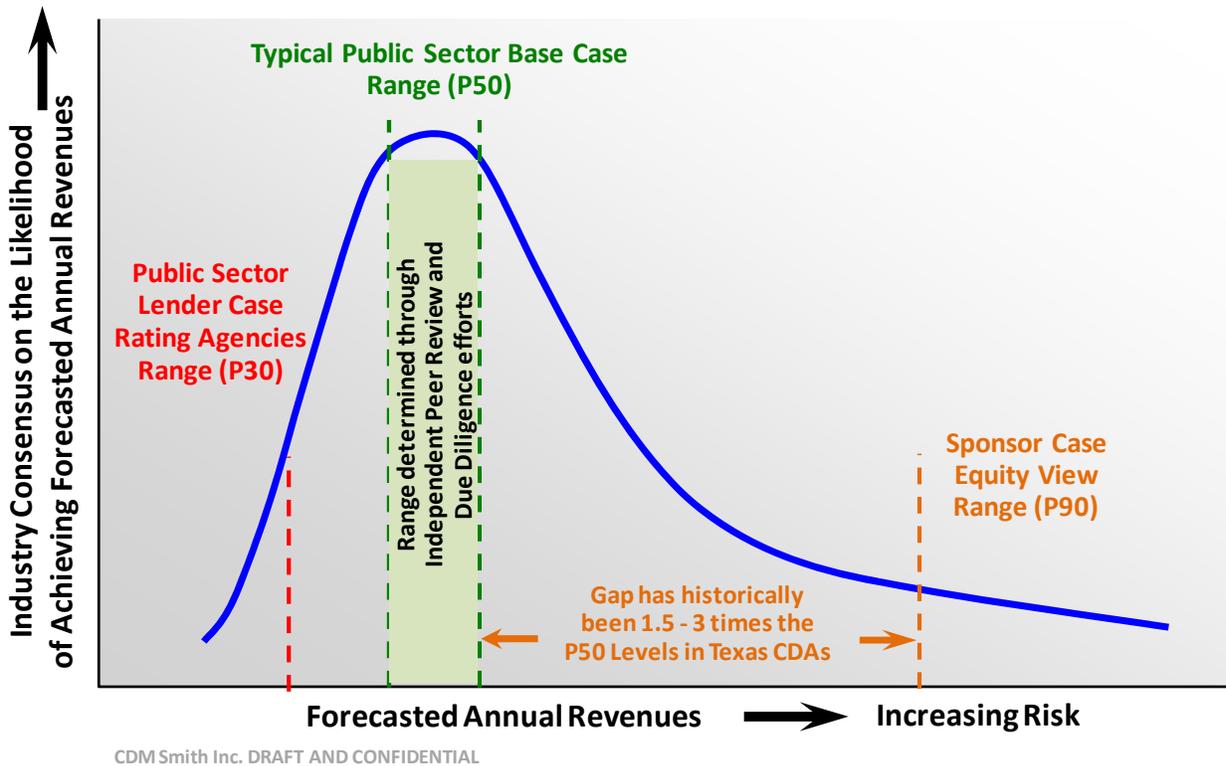
- The public sector typically takes a more conservative view of revenues in order to reduce the likelihood that general revenue funds (or in this case State Highway Funds) would be required to support projects that are intended to be financially self-supporting.
- Conservative revenue estimates, combined with generally more conservative finance plans, form the basis for investment grade ratings that are attached to tax-exempt bond issues.
- The rating agencies generally look to the downside revenue risk in assessing credit quality of financings.
- The term of public sector debt (30-40 years) is shorter than the term of a CDA (50 years) therefore there is less time for recovery in the event actual revenues are lower than estimated.

Private Sector

- Developers and their investors are in the business of investing equity and are willing to assume more risk than the government has typically been able or willing to assume.
- Equity investors are therefore more inclined to base a bid on a revenue forecast that has a higher likelihood of NOT being realized, i.e. it carries more risk.
- Developers are participating in a competitive process and are highly incentivized to win the rights to develop and operate projects – if they are too conservative in their revenue estimates they are less likely to win.

To date, TxDOT's experience in its CDA procurements supports the above observations and therefore believes that using different revenue forecasts for each delivery model is justified.

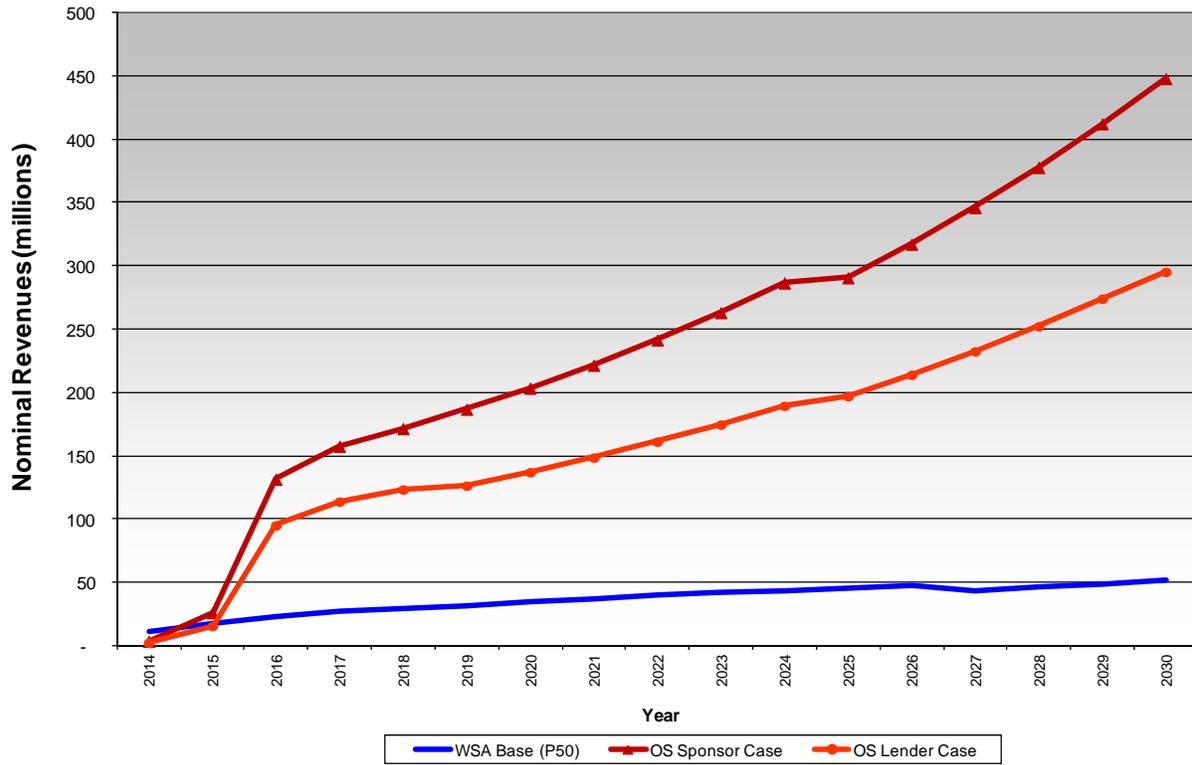
The following chart summarizes TxDOT's experience in comparing its revenue estimates to the revenues assumed by the winning bidders under the concession model. The winning bids were shown to be over 1.5-3.0 times that of assumed investment grade base case forecasts. It is also worth noting that in all cases peer reviews of TxDOT's P-50 results were undertaken as part of the due diligence to evaluate the reasonableness of the Public Sector investment grade forecasts.



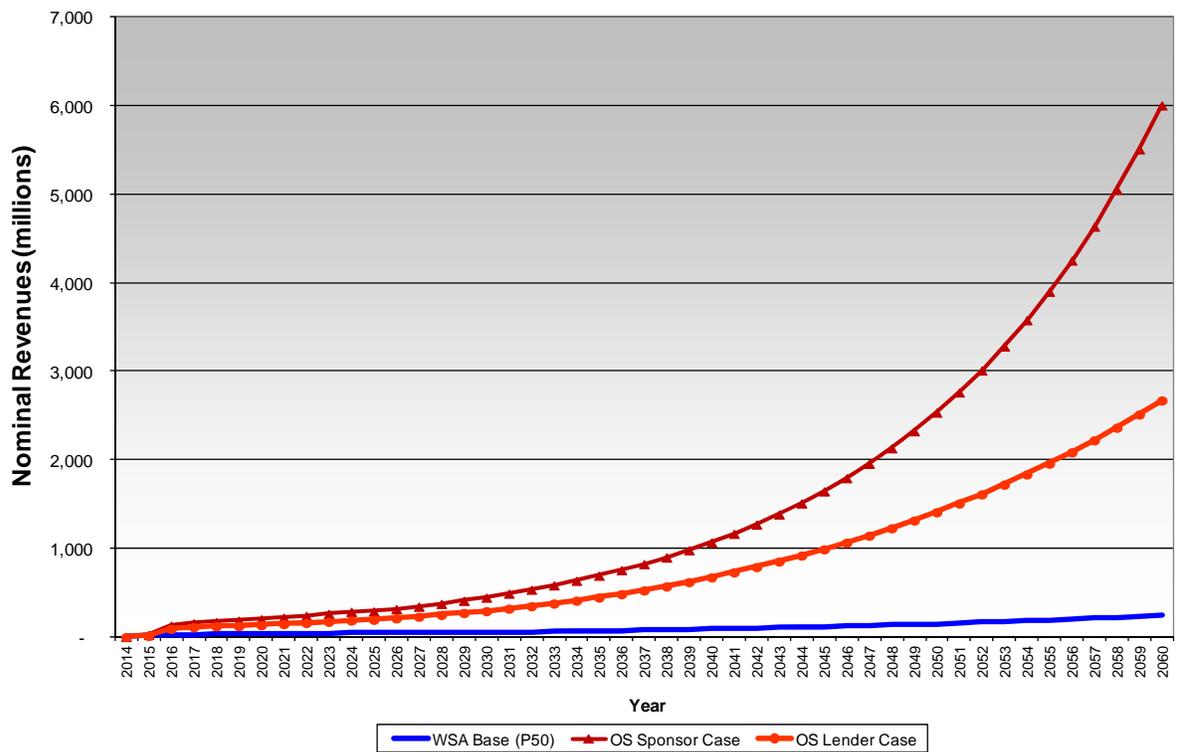
To further highlight TxDOT’s experience the following graphs show the actual revenue assumptions utilized by the winning bidder as well as TxDOT’s P-50 revenue assumptions for each of these projects. The private sector typically prepares two revenue cases in developing its financing for a CDA project. The more conservative estimates are used to support the debt component of the finance plan (the Lender Case) and the more aggressive revenue case represents the amount of risk equity investors are willing to assume (the Sponsor Case). The Sponsor and Lender revenues were taken from the Official Statements (OS) published when the projects were financed. The WSA Base is the preliminary P-50 revenue estimates developed for TxDOT for purposes of its financial feasibility analysis of the projects.

The graphs below show the revenue estimates for the full term of the CDA as well as the first fifteen years. In each case you will see that both the Lender and Sponsor Cases were well in excess of TxDOT base revenue estimates.

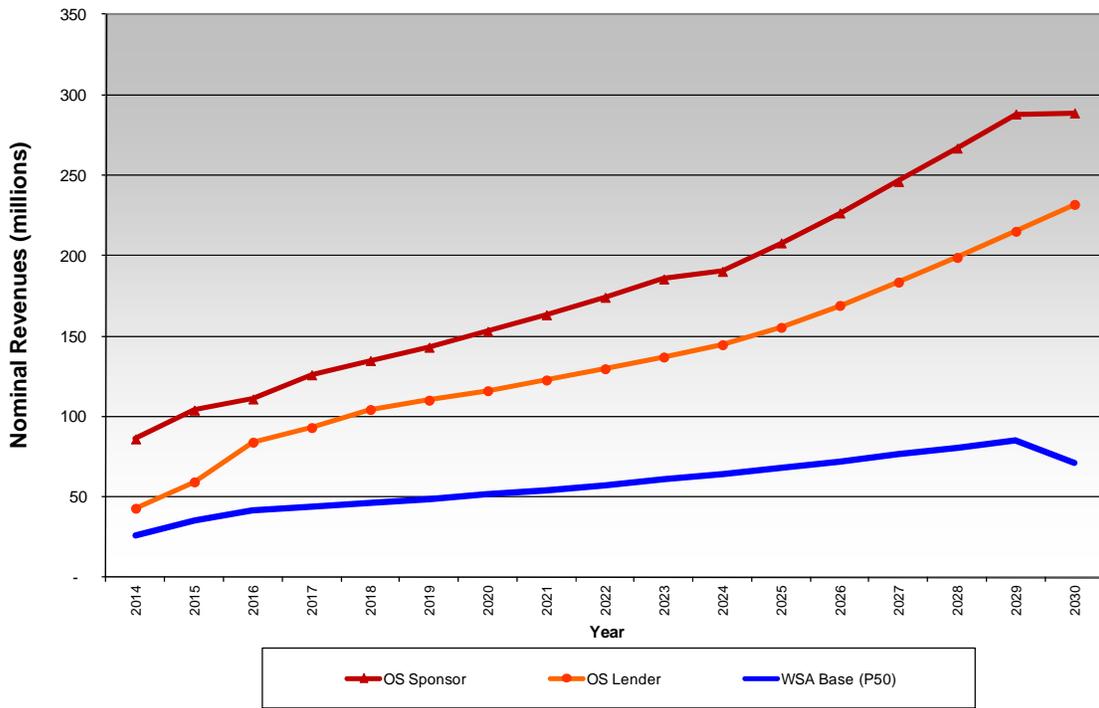
### LBJ MANAGED LANES COMPARISON



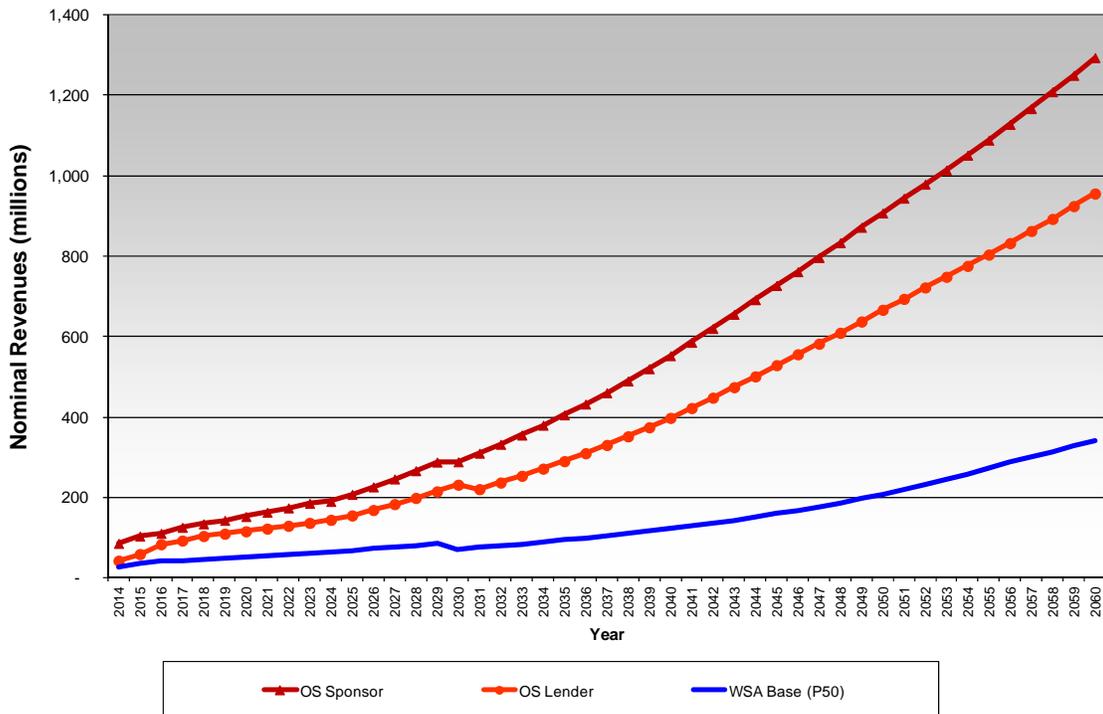
### LBJ MANAGED LANES COMPARISON



NTE MANAGED LANES COMPARISON



NTE MANAGED LANES COMPARISON



# Grand Parkway Segment's F-1, F-2 & G Right of Way and Utility Work Schedule

