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**Finance SAWG #6**  
**12/02/09 Elmsford, NY**

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**12/02 Tonight's Outline**

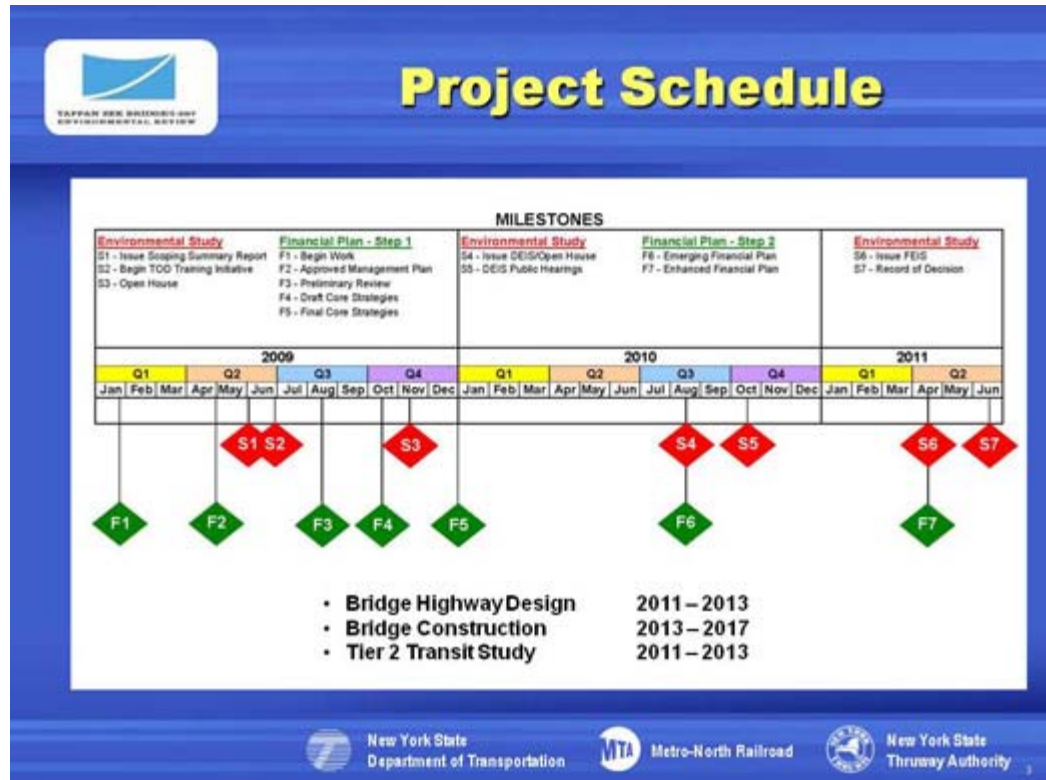
Progress of Finance Study to date

where we are now

and looking ahead

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## Role of Financial Advisor


In Step 1: perform an independent study culminating in recommendations to the Project Team

In Step 2: provide additional analysis as necessary and/or requested during period of decision making

In Step 3: assess and assist in the technical steps to implement the final plan approved by the Legislature

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## The “first cut” at the fundamental question

At SAWG's on 08/20 and 9/10 we explored:


**“What is the smartest way to pay for this Project?”**

*(We will not have that answer for some time.)*

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## Or 3 basic questions

- 1) Where will the \$ come from?
- 2) What could limit need for \$?
  - Aside from construction costs, minimize cost to finance or procure what is necessary
  - Long term commitment of revenues:
    - Operations & maintenance, paying off debt, etc.
- 3) How do we balance policy, finance and common sense?

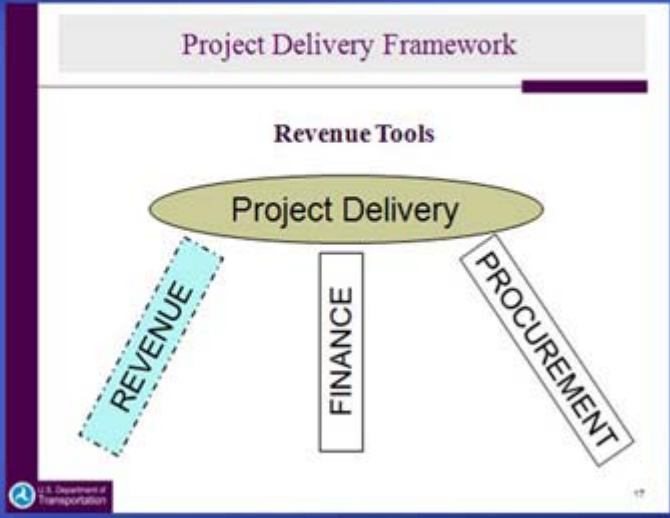
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## Explored 3 Aspects

From FHWA presentation at Finance SAWG #2 on 07/22/09



Project Delivery Framework

Revenue Tools

Project Delivery

REVENUE

FINANCE

PROCUREMENT

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## Where are we now?

We have “looked under every rock”  
Reached some first impressions

Taking “second cut” at same questions  
Developing a roadmap for next steps



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## “Second cut”

- Where \$ could come from – need to get smarter!
- Assess approaches to deliver & operate Project
  - Existing Public Entities
  - New Public Entity
  - Involving Private Sector
- Start getting a sense of “first things first”  
(recognizing critical timing considerations)



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## Where could the \$ come from?

Recognizing difficult “base budget” shortfalls


- foreseeable future
- NY, other states, Federal

Need to better understand potential funding sources


The timing can work



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## “Base” \$’s in great demand

- Need to maintain existing transportation system  
(statewide and regional)
- Funded by dedicated taxes, fees and tolls/fares  
(Federal Aid comes from Federal gas tax)
- Funding dilemma for all base programs  
(more \$ required to keep in “state of good repair”)



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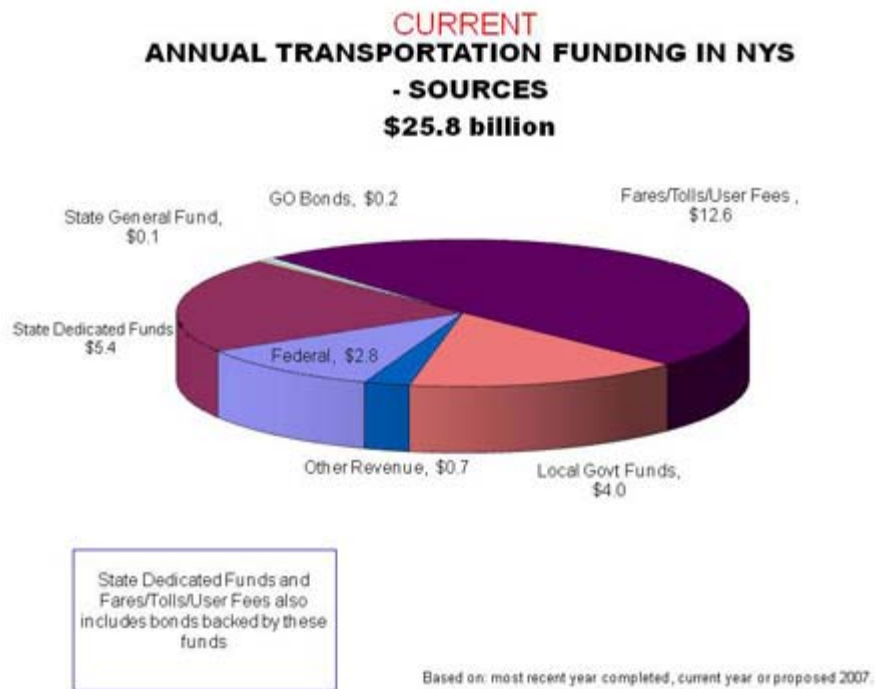


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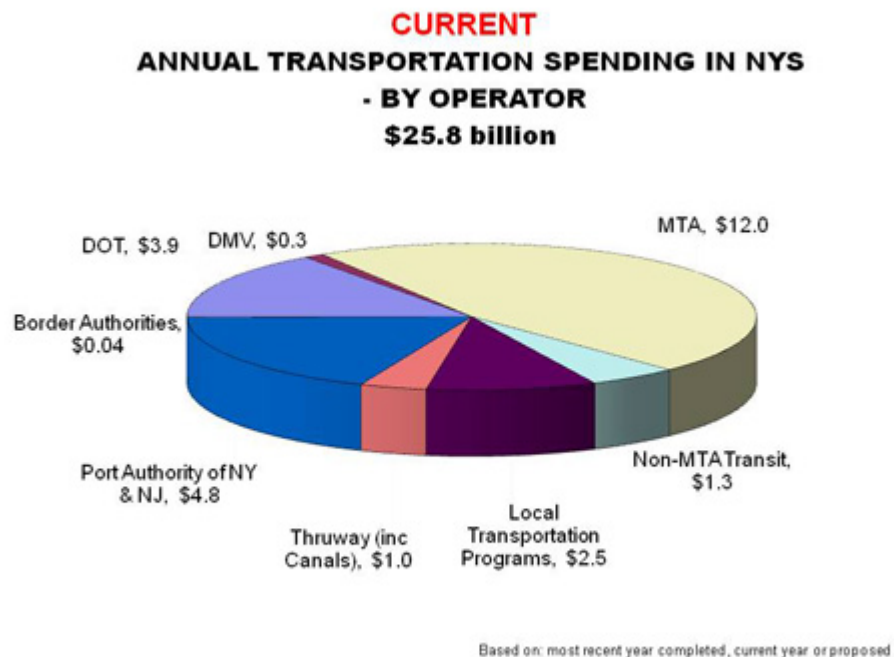


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## Need to Look “Out of the Box”

Current reality:

Funding any portion of the TZB Corridor Project from the “base” capital program (and current funding streams) of transportation agencies/authorities would have real impacts on the existing transportation infrastructure in the State.




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## Prioritized “Wish List”

- 1) **Somebody else should pay for it**
  - Federal Aid
    - special earmark, new mega-project funding, etc.
  - A tax over a broad area
    - (possibly all NYS, parts of NJ or CT...?)
- 2) **Users of the bridge / corridor / transit**
  - Especially those passing through
- 3) **More needed? Who pays what and how?**

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## Gov't Outside NYS

**FEDERAL**


- Status of Federal reauthorization
- Stimulus funds not applicable
- Office of Innovative Financing

**STATES**

- Contacting CT and NJ
- Others?




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## “Who should pay”? – no rush to judgement

Residents	Out-of-State Drivers
Cars	Trucks & Commercial
State/Federal Taxes & Fees	Regional Taxes & Fees
System Users (Direct)	System Beneficiaries (Indirect)
Transportation Related Taxes	Other – Real Property, Mortgages, Income Tax

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## "Second cut" Assessing Possibilities

- Estimating the revenue potential
- Assessing the stability/reliability of the projected revenue stream
- Recognizing what it will take to implement
  - Legislation, approval process, timing, etc.

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## In-state Revenues Range of Possibilities

Statewide taxes / fees  
Regional taxes / fees  
Thruway statewide tolling  
Regional or "system" tolling  
– broader network than Thruway corridor  
Tolls on Thruway corridor <sup>\*</sup>(within Project)  
Tolls on the TZB alone <sup>\*</sup>

**<sup>\*</sup> These sources likely inadequate to fund even Brdg/Hwy**


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## System Tolling: Understanding the Option

- Combined revenues, combined infrastructure
- Problems on one part can disrupt system
- Relieves pressure points (of tolling bridge alone)
- Consistency in policy
- How do you define the limits?
  - Geographic, timing, max/relative amounts, categories...
- What about currently un-tolled highways in that system?

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## Major Roadways in the Region





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## Toward Understanding All Tolling Options

Apparent “first things first”:




- Develop preliminary model of potential toll revenues/costs of comprehensive new “system”
- Identify the other impacts of instituting tolls on un-tolled highways (costs, Federal and legislative issues, impacts on travel patterns, etc.)
- Plan for comprehensive Traffic & Revenue Study

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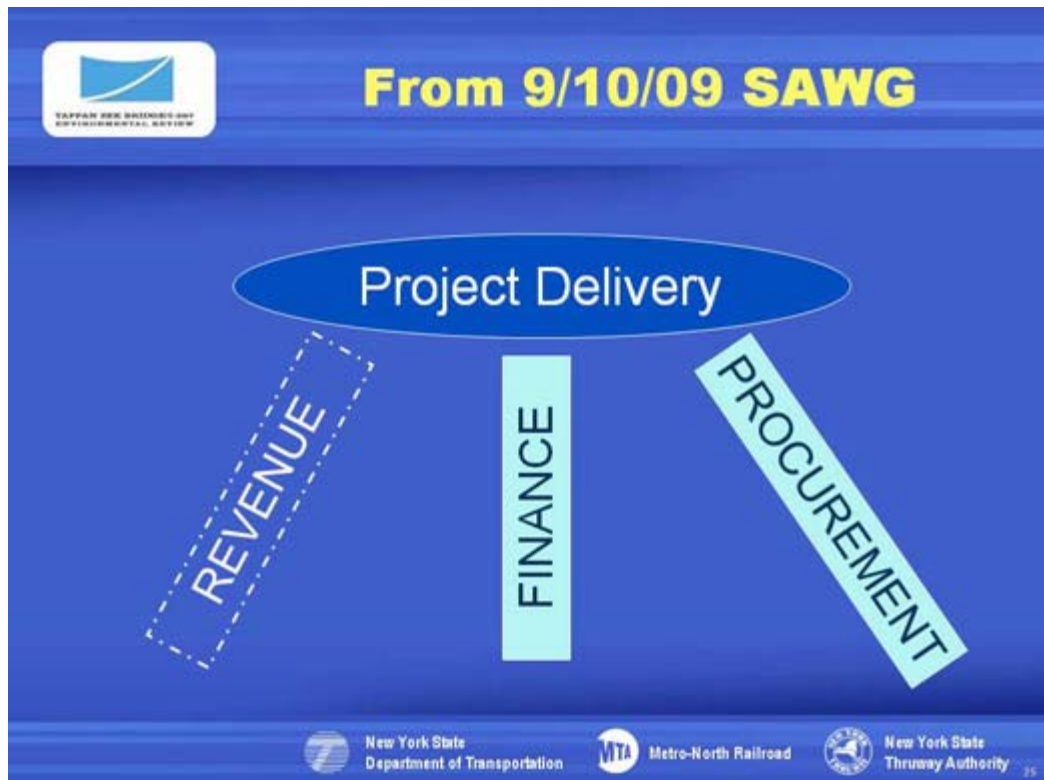


## Heading toward “Core Strategies”

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**Considering 3 Scenarios**

- Existing Public Entities
- New Public Entity
- Private Solutions

Frames Financing and Procurement concerns  
And provides insights into “first things first”

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## Existing Public Entities

Logical first option to assess:


Can we build and operate the Project with what we have?

If so, what will it take?


What needs to be addressed first?



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## Existing Public Entities


- **NYS Department of Transportation (DOT)**
  - Coordinate and develop comprehensive solution, balanced transportation policy for the state
- **NYS Thruway Authority (TA)**
  - Finance, develop, operate and maintain TZB and NYS Thruway
- **Metropolitan Transit Authority / MetroNorth RailRoad (MTA / MNRR)**
  - Further development of mass transit services in MTCD



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## Exploring the Existing Public Entities approach

- Tolls on bridge/corridor alone insufficient for Project
- NYSDOT, TA and/or MTA may need to be structured for increased revenues dedicated to Project
- TA bond defeasance not required under all scenarios
- Innovative procurement possibilities?
- Some aspects contracted to private sector?

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## Exploring the Existing Public Entities approach

- Critical to establish agreement / process for unprecedented (in NYS) public-public-public coordination
  - *pricing regime*
  - *coordinate Operations and Maintenance efforts*
  - *coordination of capital investments*
  - *traffic and transit goals*
  - *consistency across regional transportation systems*

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## Toward Understanding Existing Entities Approach

Apparent “first things first”:

- Identify what legislative changes would be required to empower existing entities to manage expanded revenues and expenditures
- Assess what instituting tolls beyond Thruway corridor would imply for this approach
- Legal teams from existing entities begin to identify issues that will require structures for coordination/cooperation

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## New Public Entity

If a “public” solution is preferable,  
is this as good as it gets?

If we could start fresh,  
what benefits are possible?

What will it take to realize that potential?

What needs to be addressed first?

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## New Public Entity

Hypothetical scenario:

- One entity integrating traffic and transit (policy & services)
- Purpose is to construct, operate & maintain new bridge, I-287 corridor, BRT, and CRT
- Start from clean slate, design optimal approach

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## New Public Entity

What would be worthy objectives?

- Generate savings beyond cost to implement  
(includes TA debt defeasance)
- Inflation savings by acting efficiently and effectively  
(5% inflation on \$16 billion is \$800 million)
- Be able to adapt to changing economic environment  
(high degree of innovation, flexibility, independence)

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## Exploring the New Public Entity approach

How might it be designed to be more effective, efficient and adaptable?

Public authority is typically empowered to:

- Construct, operate & maintain all facilities
- Charge and collect tolls, fares
- Borrow money / issue bonds
- Acquire real and personal property

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## Exploring the New Public Entity approach

Possible enhanced powers that would likely improve efficiency resulting in cost savings:

independent	- governance
	- pricing regime
flexibility	- procurement
	- organization
	- financial

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## Exploring the New Public Entity approach

Is this one of the “first things” to consider?

- Legislature must approve
- Innovative ideas need time to develop
- If new entity is created, what happens to existing entities?
- Debate over “too many authorities”
  - could this be an opportunity?

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## Private Solutions

Looking for new ideas, new partners  
- what might the private sector contribute?

Is it time to innovate? How can we tell?  
If so, what will it take?  
What needs to be addressed first?

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## Private Solutions

Where are the beneficial opportunities to involve the private sector with...?

- Project design
- Project construction
- Project financing
- Operations
- Asset maintenance (including Capital investments)

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## Potential of Private Solutions

Private sector involvement could result in higher quality project, faster & cheaper:

- access private sector financial resources
- transfer some risk from public sector
- innovative procurement could accelerate project
- acquire specialized management
- deliver new technology

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## A Full Spectrum of Private Approaches

- Contracting for specific services
  - What is the private sector more cost-effective at providing?
- Alternative project delivery approaches
  - Time/\$ savings in bidding; design + construction on same team
- Joint development
  - Partner with regional commercial developers; long term buy-in
- Long-term lease / concession agreement
  - Very challenging due to current economy, complexity of project

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## Complex Issues with Private Solutions

- Sharing of risk
- Based on projected revenues
- Ownership, rights and responsibilities
- Upfront capital vs long term cash flow
- Laws: Federal and State, Tax and Other

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## Where to start with Private Solutions

Complex legal issues to work through  
Requires approval of Legislature

**Apparent “first things first”:**

- Resolve if Design-Build legislation will be pursued (considered key to most private solutions)

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## Next Steps

Future Finance SAWG Meetings  
to be scheduled

“Preliminary Alternatives Review”  
Available by 12/7 on the website

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