

SH 288 TOLL LANES PROJECT

SB 1420 Committee Meeting





TEXAS DEPARTMENT OF TRANSPORTATION



**Welcome to the SH 288 Toll Lanes
Project Meeting of the SB 1420
Committee**



SAFETY BRIEFING



Agenda



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Agenda



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SB 1420 Committee Members

- Harris County Toll Road Authority – Peter Key
Director
- Houston-Galveston Area Council – Matt Sebesta
Brazoria County Commissioner, Pct. 2
- Texas Department of Transportation – Mike Alford, PE
Houston District Engineer
- City of Houston – Jeffrey Weatherford, PE, PTOE
Deputy Director, Department of Public Works & Engineering
Traffic Operations Division
- City of Pearland – Scott Sherman
Councilmember

An aerial photograph of a multi-lane highway, likely in Texas, showing heavy traffic. The road is filled with cars and trucks, moving away from the viewer. The highway is flanked by concrete barriers and has several tall light poles. The sky is overcast and grey. The text "Comments from TxDOT Administration" is overlaid in white on the center of the image.

Comments from TxDOT Administration



SB 1420 Committee

- Purpose
 - For a project which a private entity has a financial interest in the project's performance: Committee will determine the distribution of the project's:
 - Allocation of financial risk
 - Method of financing
 - Tolling structure and methodology
 - Report to Executive Director of TxDOT



Risk Allocation



- The public sector carries the highest amount of risk under traditional project delivery models such as design-bid-build
- Many risks can be transferred to the private sector with the greatest amount transferred under a revenue-based concession



Risk Allocation

- Under traditional delivery approaches the public sector typically finances, operates and maintains the project
- A revenue-based concession requires the private sector to design, build, finance, operate and maintain the project

○ Risk retained by Public Sector ● Risk transferred to Private Sector

	Design	Construction	Operations/ Maintenance	Financing	Revenue
Design-bid-build	○	●	○	○	○
Design-build	●	●	○	○	○
Design-build-finance operate-maintain (concession)	●	●	●	●	●



Overview of the Committee

- The presentation will focus on the committee requirements of Section 228.013, Transportation Code, added by Senate Bill 1420, 82nd Legislature, Regular Session, 2011, and Title 43, Texas Administrative Code, Sections 27.90-27.92
- Also, the rules are available for viewing at the following website:

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac_view=5&ti=43&pt=1&ch=27&sch=H&rl=Y](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=5&ti=43&pt=1&ch=27&sch=H&rl=Y)



Overview of the Committee

- Applicability of this Committee
 - For a TxDOT toll project in which a private entity has a financial interest in the project's performance (i.e., under a concession agreement)
 - Regional funding and/or county or municipal ROW or revenues will be provided to the project
- Formation and Membership of Committee:
 - H-GAC (1 member)
 - HCTRA (1 member)
 - County or Municipality (1 member each where applicable)
 - provided local funds to pay for right of way acquisition or other project costs or to acquire right of way for the project, or has provided property of the city or county for use as project right of way; or
 - submitted to the Department an order or resolution adopted by the city council or county commissioners court committing local funds or property to the project; and
 - TxDOT (1 member)
- Officers
 - Committee will elect a chair and vice chair subject to Texas Transportation Commission concurrence



Overview of the Committee

- Duties of the Committee
 - Make the following statutorily-required determinations:
 - Allocation of financial risk
 - Method of financing
 - Tolling structure and methodology
 - Submit a report to the Executive Director of TxDOT containing those determinations
- Failure to Submit Report by RFQ date
 - The department will use business terms adopted by the MPO (HGAC) that relate to the determinations to be included in the report
- Meetings
 - Subject to Open Meetings requirements
 - Committee members can suggest agenda items
 - Quorum defined as one half or more members appointed to the committee
 - Act on majority vote of members present



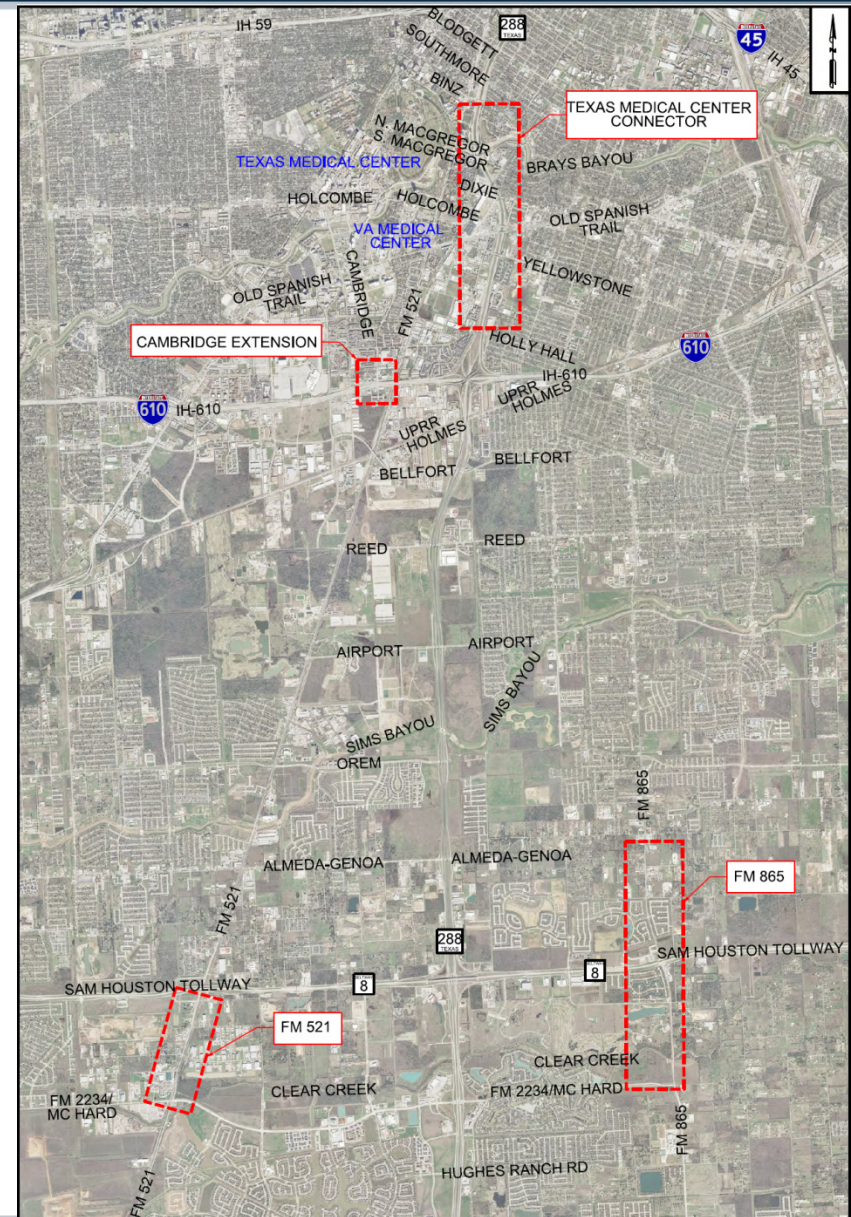
Overview of the Committee

- Administrative Support
 - Executive Director of TxDOT has authorized the Houston Strategic Projects Office to act as administrative support for the committee
- Duration of Committee
 - Ceases to exist once report is issued to Executive Director of TxDOT
 - TxDOT can reconvene committee if circumstances result in a change of the committee's determination



Other Commitments

- FM 521 (Almeda Road)
 - FM 2234 to Beltway 8
 - Widen to 4-lane divided roadway
 - Begin construction Fiscal Year (FY) 2014
 - Funding identified - \$53.2M
 - Funding source
 - Texas Mobility Fund
- FM 865 (Cullen Boulevard)
 - Beltway to Almeda-Genoa Rd
 - Widen to 4-lane divided roadway
 - Under construction south of Beltway 8
 - Begin construction north of Beltway 8 FY 2014
 - Funding identified - \$11.74M
 - Funding source
 - State Proposition 12 v2 -\$6.6M
 - Local - \$5.14M





SH 288 Ultimate Project

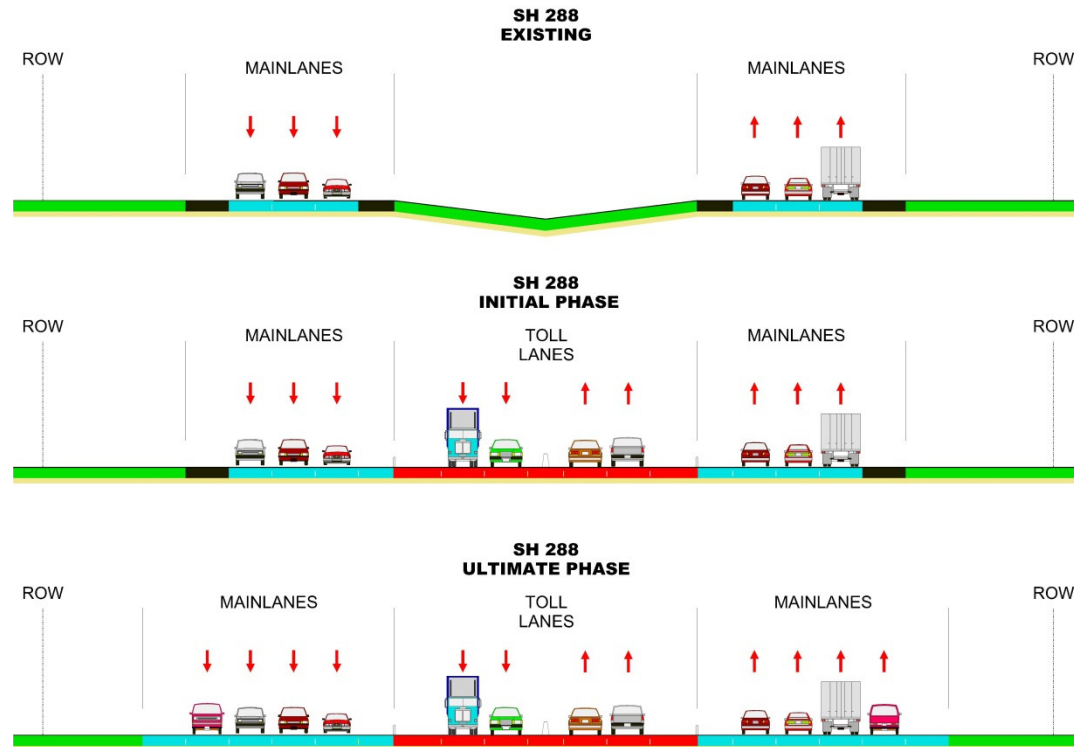
- US 59 to County Road 60 (SH 99)
 - 4-toll lanes within existing SH 288 median
 - I-610 Interchange reconstruction
 - 8-Direct Connectors Beltway 8 Interchange
 - SH 288 reconstruction and additional general purpose lane each direction I-610 to Beltway 8
- Length: 25.2 miles
- Cost: \$1.3 Billion (nominal)
- **No funding available for implementation**





SH288 Ultimate Project – Typical Sections

TYPICAL SECTIONS:





SH 288 Initial Projects

- TxDOT Project - US 59 to County Line
 - 4-toll lanes within existing SH 288 median
 - Existing general purpose lanes
 - Existing I-610 Interchange
 - 8-Direct Connectors Beltway 8 Interchange
 - Total Length: 10.4 miles
 - Estimated Project Cost: \$567 million (nominal)
- Brazoria County Project - County Line to CR 58
 - 4-toll lanes within existing SH 288 median
 - Existing general purpose lanes
 - FM 518 Wishbone Ramp
 - Hughes Ranch Rd T-Ramp
 - Total Length: 4.9 miles





Project Costs

(\$ Millions nominal)	DB Costs	Concession Costs
Project Development and Construction Costs	\$567	\$567
Routine O&M	\$638	\$656
Lifecycle Costs	\$922	\$922
TOTAL	\$2,127	\$2,145

- Costs are shown for a 52-year period
- Under both models, routine maintenance and lifecycle costs are right of way to right of way, i.e. tolled lanes, general purpose lanes and frontage roads



Preliminary Results

- Public funds have been committed to the Medical Center Connector Project
- No additional public funds are available
- The concession model produces an upfront concession fee because the private sector is able to take more risk on its investment in the project than the public sector
- The design-build option requires a subsidy because the financing structure must be more conservative in order to protect taxpayers if the road underperforms
- Under the concession model, all routine maintenance and lifecycle costs are paid by the Developer

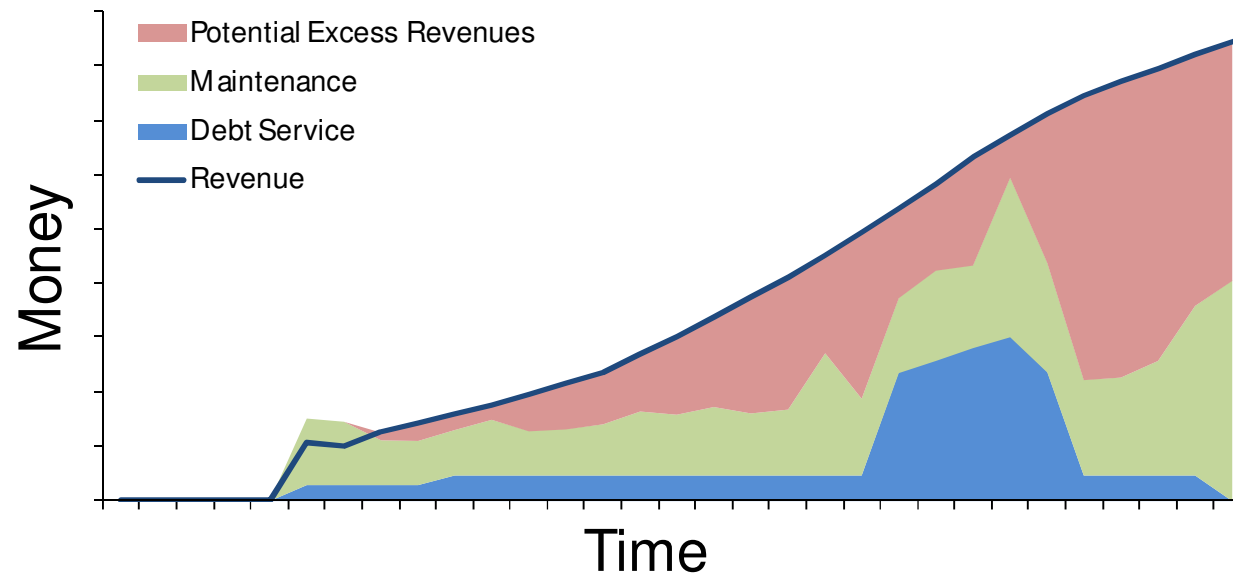
	Concession (\$ Millions)	Design-Build (\$ Millions)
Concession Fee / (Subsidy)	\$75	(\$377) plus O&M on non-tolled lanes



Method of Financing: Design-Build

Design-Build Financing Structure Assumptions

- Tax-exempt bonds payable from toll revenues
- Minimum debt service coverage ratio of 1.75x
- Bonds include current interest bonds and capital appreciation bonds
- Public funds to make up the shortfall
- ROW to ROW routine and major maintenance costs payable from toll revenues
- An operating subsidy of approximately \$20m is required over the first two years

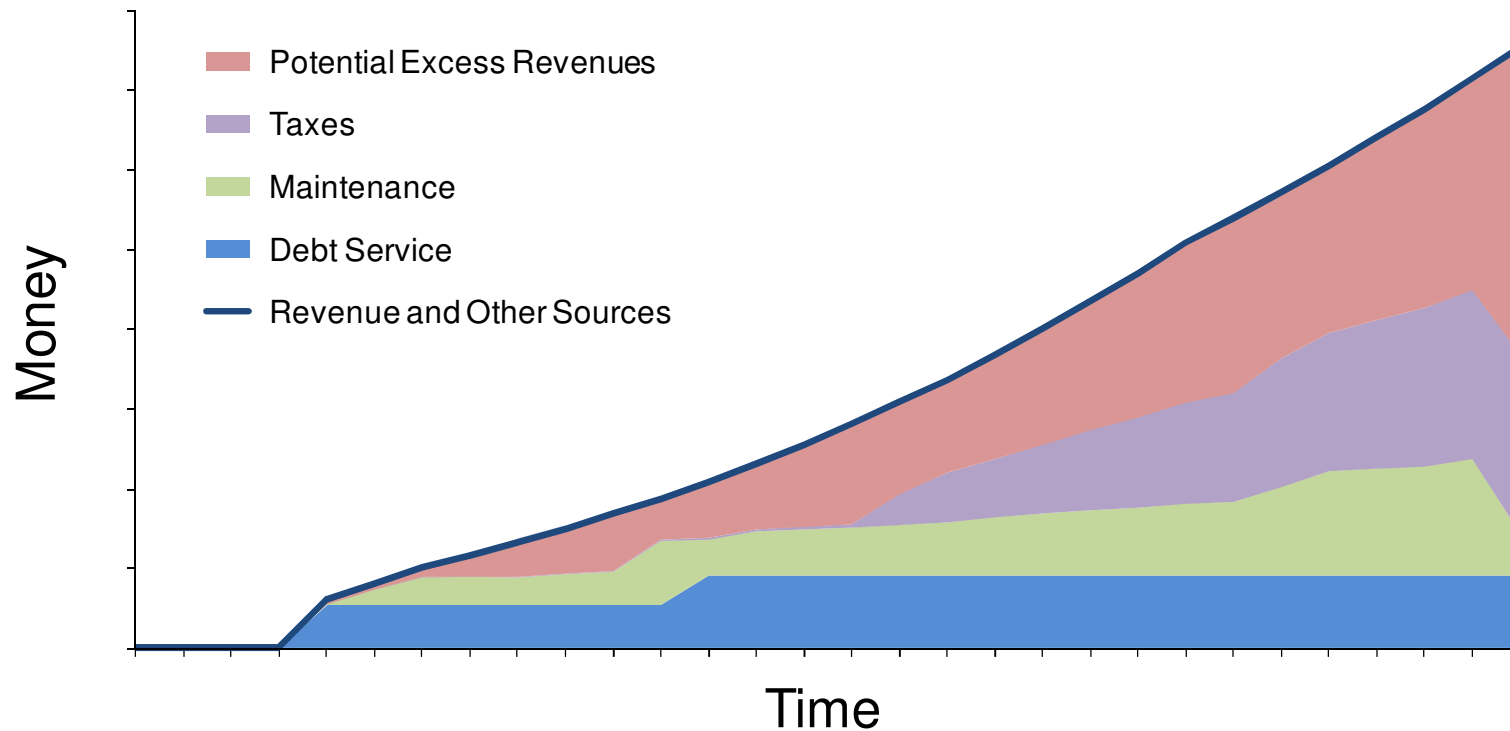




Method of Financing: Concession

Concession Financing Structure Assumptions

- Financing consists of approximately 70% debt and 30% equity
- Debt component is tax-exempt private activity bonds with minimum coverage ratio of 1.5x
- Risk contingency of 13.5%





- Selection of Chair and Vice Chair
- Discussion and possible action on the issuance of the Report of the determinations made by the Committee to the Executive Director of TxDOT
 - Determinations
 - Allocation of risk
 - Method of financing
 - Tolling structure and methodology
 - Final Report
- Schedule next meeting, as required
- Approval of meeting minutes
- Adjourn



TxDOT offers the following determinations for the 1420 Committee's consideration:

- 1. *Revenue risk to be transferred to the private sector.*** The private sector's ability and willingness to take risk results in the greatest amount of project scope being built today with no additional public funds.
- 2. *The method of financing the project will be the private sector including private equity and the proceeds of bonds or other loans.*** The private sector financing allows the project to be funded without additional public funds.
- 3. *The tolling structure and methodology shall be as described in the attached tolling policy.*** The proposed policy is subject to review and amendment by the Committee before the Committee makes its determination.