Transportation Funding, Financing, and Choices
Agenda

- The Funding Challenge
- What are Other States Doing?
- Overview of Florida
  - Summary of Transportation Funding
  - Use of Choices to Help Solve Mobility
- Very Brief Overview on Innovative Finance/Delivery
- Next Steps
Preaching to the Choir!

- Picture for Federal funding for transportation is not pretty and very unclear.
- Lot of discussion, very little action to increase funding at Federal level.
- Motor fuel tax challenges
- Funding challenge falling to states/locals
- Transportation system needs continue to grow both for current system and capacity needs
What Passed in Other States?

- **Gas Tax Increase** – recent examples – CA (10%); MA (3 cents); MD (4 cents); NH (4 cents); VT (5.9 cents); WY (10 cents)
- **Sales Tax** – AK (1/2 cent); GA (3 regions); VA (replaced gas tax);
- **General/Other Sources Directed to Transportation** – AK (GO bonds); ME (Bonds); OH (Raise Turnpike Tolls); PA (Comp package); TX (oil/gas revenues)
All states have realized that Washington/Congress is not likely to drop a big pile of money from the sky for transportation.

“Everything” is being considered to increase transportation funding at state/local levels.

The list of bills filed across the states to increase funding are limitless – Gas Tax; Tolls, Sales Tax; Bonding; General Fund; Pricing; etc.
Many states are studying implementing or expanding tolling and long-range road user fee/pricing option

- Tolling – technology allows Open Road Tolling (no stopping for toll booths)
- “Pricing” similar to tolling, but may be used to replace existing sources like gas tax and increase funding based on transportation system use
- Gas tax eventually must be replaced
Florida Case Studies

- Overview of Florida Transportation Funding
- Choices becoming more popular
  - Local option taxes
  - Express Lanes/Mobility Choices
- Use economic growth to support increases in transportation funding with NO tax increases
  - Mobility 2000
  - Pay As You Grow – 2005
Five Year Work Program
FY 2015–2019
Funding Sources for Commitments (in millions)

Right of Way and State Infrastructure Bank Bonds
1804.310271
4%

State
23452.26071
56%

Federal-Aid
11073.62727
27%

Local and Other Funds
1264.863303
3%

Turnpike and Tolls
4212.065109
10%

Total Adopted 5-Year Work Program $41,807M
State Transportation Revenue

Actual through fiscal year 2014, 2015 through 2020 based on Summer 2014 Revenue Estimating Conference

Clary Consulting, LLC 9/2/2014
Calendar Year 2014 Fuel Tax Rates (cents per gallon)
Impact of Indexing Fuel Sales Tax
Florida Local Transportation Revenue Sources

- Constitutional and Legislative Motor Fuel Taxes (3 cents for county, 1 cent for cities)
- Local Option Fuel Taxes (1–12 cents)
- Local Option Infrastructure Sales Tax (.5 or 1 percent)
- Local Fees (impact fees, permits, etc.)
- General government contributions (property tax, development tax, etc.)
How are Choices Being Used?

- Local Option Taxes/Fees
  - Local Option Gas Tax up to 12 cents
  - Local Option Sales Tax – two types
  - Development Fees/Partnerships
- Toll Road/Bridges
- Express Lane Networks
  - Southeast Florida, Orlando, Tampa Bay, Jacksonville
- Transit Options
Locally Imposed Fuel Tax

Fuel Tax Rates as of January 1, 2014

1. $0.05 = 1
2. $0.06 = 14
3. $0.07 = 24
4. $0.09 = 2
5. $0.10 = 3
6. $0.11 = 1
7. $0.12 = 22

Total Counties = 67

Clary Consulting, LLC 9/2/2014
Locally Imposed Fuel Taxes Distributed to Local Governments

Actual through fiscal year 2014, 2015 through 2020 based on Summer 2014 Revenue Estimating Conference

Clary Consulting, LLC 9/2/2014
Local Option Sales Tax

- Charter County Transportation System Surtax – approved by vote of citizens
  - 31 counties are eligible to levy the surtax
  - Duval, Walton, and Miami-Dade have enacted
- Local Government Infrastructure Surtax
  - All counties eligible to levy the surtax, 17 have enacted
- Small County Surtax - [http://edr.state.fl.us/Content/](http://edr.state.fl.us/Content/) to find the Counties that have implemented the tax as of 2013
Local Developed Toll Facilities

- Florida toll roads/bridges were developed to meet specific needs supported by locals.
- Almost all new centerline miles developed through toll facilities since early mid-80s.
- Electronic tolling – moving to Open Road Tolling making use of tolls less challenging.
- Three examples of developer/land owner developed toll roads/bridge.
Actuals through fiscal year 2013, 2014 through 2022 forecasted

Florida’s Turnpike Sunshine Skyway Alligator Alley
Miami-Dade Expressway Authority (MDX)
Orlando-Orange County Expressway Authority (OOCEA) Lee County (Sanibel, Cape Coral and Mid-Point)
Pinellas Bayway Beachline East
I-95 Express
Tampa-Hillsborough Expressway Authority (THEA) Mid-Bay Bridge Authority (Mid-Bay Bridge)
Santa Rosa Bay Bridge Authority (Garcon Point Bridge)
Express Lanes/Networks

- Express Lanes are tolled lanes to facilitate “express service” adjacent to “free lanes”
- I–95 in Southeast Florida started as a “Pilot” in 2007 – would be impossible to remove express lanes now!
Southeast Florida Express Lanes Network

Mobility Choice

- Regional
- Meet Needs of Commuter Trips
- Encourage Shift in Peak and Mode
- Complemented by New or Improved Transit Service – Express Service
- I–95, I–595, I–75, Turnpike, Palmetto Expressway, Dolphin Expressway, Turnpike Homestead Extension
Mobility Options

- Strategic Intermodal System – focuses on moving people and goods
- Express Lanes in Urban Areas – Bus Rapid Transit in Express Lane Corridors
- Intermodal Centers in many large urban areas
- Transit system “new starts”
- Law requires minimum 15% of State funds for Transit, Aviation, Ports, Rail, Intermodal
State revenue estimates were strong
“Redirected” General Funds to Transportation Trust Fund – about $350M/year
  ◦ “Service Charges” on Gas Tax, MVL Fees, etc.
  ◦ Seed capital for flexible State Infrastructure Bank “state account” – allowed to bond loan portfolio

Leveraged Advanced Construction Program
Authorized GARVEE Bonds – never issued!
Added/Advanced over $6B in projects
State revenues were strong
Redirected $750M a year General Fund source to transportation – “growth” documentary stamp tax on real estate transactions
- Majority of funds on Strategic Intermodal System
- Created discretionary programs
  - TRIP – 50/50 – state system or some local system
  - CIGP – 50/50 – state system more local system
  - SCOP – 75/25 – small counties more local system
  - Transit New Starts – focused on local BRT/rail projects
What Happened Later?

- All changes in Mobility 2000 “stuck”
- State Budget Challenges (2009 to 2013)
  - Required a few years of “raids” from Transportation Trust Fund
  - Temporarily rolled back some of the Pay As You Grow annual funding
- Growth Returning (2014 to 2015)
  - Recent growth is moving part of Pay As Your Grow back to transportation
Revenue Stream Challenge: The Future of Fuel Tax

- Various market pressures are driving up average vehicular fuel efficiencies
- Corporate fuel economy standards for new cars will increase from 35.5 MPG in 2016 to 54.5 MPG in 2025
- The average driver will pay less for use of the roadway network in the future
  - Fuel taxes paid decrease as fuel efficiency increases
- The fuel tax will become a less sustainable and less equitable fee for road use
Key Difference in Programs

- Georgia must have funds on hand before projects can be let to contract
- Florida operates with a “Commitment – Cash Flow” basis of program management
  - Projects “programmed” in “Financial Management” System
  - Includes contingencies for changes
  - Revenue sources forecasted and cash flow matched to “Programmed Projects” via Annual 10-Year Finance Plan and Monthly 5-Year Cash Forecast – monitored monthly and annually
Florida has experienced major growth since 1950s and this led to many innovations out of pure necessity:

- Major Toll Systems
- Local Option Revenue Sources
- Focus on Mobility/Congestion Relief
- Strategic Intermodal System
- Innovative Finance/Delivery – A+B, Incentives, DB, DBF, DBFOM, SIB, Selected Bonding
Brief Summary on Innovative Finance/Delivery

- Revolving Loan and Bond Programs
- Incentives – A+B, Incentives/Disincentives
- Risk Allocation and Speed of Delivery
  - Asset Maintenance
  - Design–Build
  - Design–Build–Finance
  - Design–Build–Finance–Operate Maintain
Revenue Bonds common in transportation
  ◦ GARVEE – pledge of future Federal funds
  ◦ Gas Tax or other source
  ◦ Toll Revenue backed bonds
    • System Pledge
    • Stand Alone Project
  ◦ Growth supported taxes or tax increments
    • Community Development/Improvement Districts
Bonds of themselves are NOT new money, simply advancing future revenues.

The KEY is to integrate bond programs with pay-as-you-go transportation program to not “overcommit” the future.

Bonds are efficient for major projects with dedicated revenue streams for the project.

Program level bonding can be “touchy”
Revolving Loan Programs

- State run revolving loan programs such as State Infrastructure Banks can be very efficient in moving key projects forward.
- Remember these are “LOANS” and not grants so the loan recipient must repay it.
- Many states like Georgia have SIBs.
- Florida SIB has loaned:
  - Federal Account – $422M in loans leveraged $1.48B in projects
  - State Account – $960M in loans leveraged $7.72B in projects
Types of P3s

- Design–Build (DB)
- Asset Management Contract
- Design–Build–Finance (DBF)
- Design–Build–Operate–Maintain (DBOM)
- Design–Build–Finance–Operate (DBFO)
- Build–Operate–Transfer (BOT)
- Build–Transfer–Operate (BTO)
- Joint Development Agreement (JDA)
- Concession
- Asset Lease/Sale

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What is BF/DBF?

- Design-Build, can be Design-Bid-Build
- Public Owner
  - Funds “programmed” and/or in “cost feasible” plan in the future, subject to annual appropriation
  - Procurement process for BF/DBF
- Private Team
  - builds the project now
  - borrows the “gap” needed to advance project
  - paid when funds available from public owner
When Might BF/DBF Make Sense?

- Desire for economic stimulus
- Periods of highly competitive industry pricing
- Breaking up projects that could/should go together due to funding
- Key safety issues like closed/posted bridges
- Interest rates favorable compared to inflation of construction costs
- Public sector does not want to borrow funds long term and/or has debt cap challenges
FDOT started first DBF in 2004 and has now advanced twelve DBF/BF projects between 3 to 6 years totaling over $2.4 billion.

All projects were at or below the programmed future estimated cost and available funding.

FDOT requires 100% Performance Bond on DBF Projects.

Gap Funding Consider “Below the Line” by FDOT, meaning responsibility of DB Team.
2012 Conditions in Florida

- Strong desire for economic stimulus
- Bids were coming in well below DOT estimate
  - Some – took savings and added more projects
  - Others – added “bid options” to get more done
- Interest rates at near all time lows, lower than forecasted inflation
- Combined several projects and matched up other projects to “advance” key roadway segments
Florida DOT Sample Results

2012 Project Examples:

- I-95 Brevard/Volusia DBF Project
  - Capped Amount – $120,539,036
  - Proposed Amount – $118,370,000 (includes cost of financing, plus added 16 miles of widening)
  - Gap Financing – $38,655,000

- Jacksonville 9-B DBF Project
  - Capped Amount – $104,626,299
  - Proposed Amount – $94,901,300 (includes cost of financing, plus all “bid options”)
  - Gap Financing – $59,110,000
Use of P3s Nationwide

- P3s, whether P3 “light” meaning DB or DBF or comprehensive P3s are gaining traction across the United States
- A number of states have entered the space recently:
  - Pennsylvania
  - Maryland
  - Ohio
  - Illinois
  - Others continuing forward: California, Florida, Indiana, Virginia, Texas, and others
Brief Discussion of P3s

- P3s are the exception not the rule for the delivery of projects – normally larger projects
- Desire for risk transfer is a key consideration
- Cost of capital comparisons alone normally leads to false results
- Harder to quantify value of risk transfer and combination of project phases – but can be done to provide a better comparison
- Results show P3s on schedule and little price increases compared to price proposals
Needs are not going away
Stresses on funding sources in government
P3 market well developed in a number of states and internationally
Further consolidation of U.S. construction industry with increasing foreign ownership
Capital raised for P3 market
Success breeds further P3s
Next Steps

- The transportation needs are not going away, only getting larger
- Competition among States – those addressing infrastructure will be more competitive for economic development
- There are many options available:
  - Maximize efficient use of available resources
  - Choices for the movement of people and goods
  - Redirect existing resources to transportation?
  - Add new or increase existing taxes or fees?
Georgia’s Decision?

How will Georgia stack up in the future on transportation infrastructure?
Questions/Follow Up

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