Benefits of Private Investment in Infrastructure

Note: All dollar figures are measured in today’s terms

This summary of information was created by Kearsarge Global Advisors in coordination with Abertis, Allen & Overy LLP, Barclays Capital, Carlyle Infrastructure Partners, Chadbourne & Parke LLP, Citi Infrastructure Investors (CII), Credit Suisse, Debevoise & Plimpton, Freshfields Bruckhaus Deringer, Fulbright & Jaworski, Mayer Brown, McKenna Long & Aldridge LLP, Merrill Lynch, Morgan Stanley, RREEF, RBC Capital Markets, Scotia Capital, and UBS.
Jointly public and private investment can create **millions of jobs**.

Over **$180 bn in available private capital** can be used to build infrastructure projects to leverage up federal or state funding.

Private investment in infrastructure **frees government dollars** for allocation to other troubled areas of the economy and transfers risk away from public partner to the private entity.

Private investment has been proven to generate **positive economic growth** and can act as a stimulus by providing investment grade projects to invest in.

Private capital allows U.S. workers to invest in the growth of America, generate jobs, and **enhance our competitiveness**.
Private Capital is Ready to Create Jobs

Private investment in infrastructure could generate over **1.5 million** jobs in the US Market...

![Graph showing national unemployment](image)

**National Unemployment:** 11.6 million


Private investment could help to reduce unemployment by approx. **13%**

...Incentives to invest private capital must be taken into account in the proposed National Infrastructure Bank and SAFETEA-LU reauthorization.

**Note:**
1. Actual figure is 1,566,000 projected private jobs given $180 bn of private capital invested over 10 years at 60 percent leverage.
The total equity capital committed to infrastructure is in excess of $180 billion.

Dedicated funds available for infrastructure have tripled from 2006 to 2008 and private investor appetite remains strong in 2009.

In addition to companies that invest in infrastructure, there are over 30 infrastructure funds ready to invest in the US Market.

The total equity capital available to invest in US infrastructure is likely to substantially grow in the coming years assuming the US taps into the current pool of equity capital.

Source: Morgan Stanley
Leveraging private capital creates a larger pool of funding for state and local governments to address infrastructure needs while driving economic growth and creating jobs.

When leveraged at a 60:40 debt-to-equity ratio, approximately $180 Bn in private capital could generate as much as $450 Bn for infrastructure investment in the US.

Equity: ~ $180 bn

Note:
Scenario assumes the approx. $180 bn in available capital is distributed evenly over a 10-year period and does not take into account fluctuations in funds' size.
Private Investment Creates Jobs

Annual Sustained Job Creation with the Sole Use of Private Capital Over a 10-year Period

When used alongside federal dollars, private investment in infrastructure will greatly increase the amount of jobs that can be created. At the same time, existing public sector collective agreements are honored and union representation respected.

Studies cited by US DOT Chief Economist Jack Wells have found that each $1 bn in infrastructure investment could generate 34,800 jobs.

If government is able to remove obstacles that slow project delivery, private capital could multiply jobs at an even faster rate while pursuing more infrastructure projects over a shorter time period than displayed.

Equity: ~ $180 bn

626,400 Jobs
696,000 Jobs
783,000 Jobs
894,360 Jobs
1,044,000 Jobs
1,252,800 Jobs
1,566,000 Jobs

Note: Scenario assumes the approx. $180 bn in available capital is distributed evenly over a 10-year period and does not take into account fluctuations in funds’ size.
Benefits of Private Capital

**Government retains asset ownership:** The public entity regulates infrastructure assets funded with private capital, much like utilities are regulated, while transferring risks to the party best equipped to manage them.

**Government receives direct revenue (upfront payment / portion of future revenue) and/or investment through project delivery:**
- Private capital can be reinvested in infrastructure or other public goods providing long-term economic benefits to the public sector.
- Private capital from leasing existing assets or invested in new projects can allow state and local governments to meet federal participating share requirements for funding of projects in the absence of available tax revenues.

**Government sets the standards:** The public entity sets and oversees the operating and safety standards of the infrastructure assets while the services are developed and operated by the private investors. In many cases the government also sets requirements for Disabled Business and Small Business Enterprises, as well as local employment participation in the concession.

**Greater access to funding:** Private investment can provide billions of dollars of new infrastructure funding while leveraging funds provided by state and federal governments. In certain cases, federal and even state dollars may not be necessary for project delivery, depending on the nature of the project.

**Greater value for money:** Through global best practices, experience and innovation in design, finance, construction, operation and maintenance, private investors can bring greater efficiencies at a lower cost to the procurement of infrastructure assets and services creating disciplines and benchmarks around spending and development.

**Greater accountability:** If the private entity partner fails to meet minimum requirements under the concession agreement then the public entity partner may terminate the agreement at significant financial loss to the private sector partner. This provides significant incentive for the private sector partner to perform materially above minimum contractual obligations and exceed required service levels.

**Greater long-term efficiencies (life cycle planning):** Private sector has incentives to maintain high quality infrastructure assets and thereby provide the end user with a safer and improved quality of service over the useful life of the asset or contract. Under traditional government procurement, the party that builds the facility does not always take into full account the future cost of maintaining what gets built.

**Less debt:** The use of private capital allows state and local governments to avoid taking on increased debt to fund projects, which reduces interest payments or allows states and municipalities to use their bonding capacity to finance other goods and services.

**Less taxes for taxpayers:** Taxpayers benefit because the state does not have to rely solely on tax revenues to support infrastructure spending or debt servicing.
America Trails the World in Private Infra Investment

- Through 2030, annual infrastructure investment requirements for electricity, road and rail transport, telecommunications and water are likely to average around 3.5% of world gross domestic product (GDP).
  
  Source: OECD "Infrastructure to 2030"

- While the United States is trying to reduce its infrastructure funding gap (est. at $1.6 Trillion), other countries are surpassing us with new investment decreasing the US' competitiveness in the world.

  Source: American Society of Civil Engineers

- The US currently spends 2 percent of GDP on infrastructure investment. By contrast, that number is about 5 percent in Europe and between 9 percent and 12 percent in China.

  Source: Building America’s 21st Century Infrastructure, Progressive Policy Institute

**Outlook**

**Competition**

- Places such as Australia, Canada, the EU, and the United Kingdom already rely on private investment and have successfully executed hundreds of privately financed infrastructure projects to drive economic growth while protecting the public interest.

- The United States needs to act before private funds are attracted elsewhere.

**Risk of Inaction**

- In general, the U.S. is considered a safe and stable place to invest money and private capital will flow here if it is welcome. However, there could be disruption to this flow if states use stimulus money to crowd out private investment or displace private capital by solely using traditional government procurement processes and public money to complete infrastructure projects.

- If states solely rely on federal funds for all “shovel ready” projects, it could take several years to develop a replacement roster of economically attractive projects for the private sector. In the meantime, the government will have forfeited the potential to leverage private capital and save its money for other competing stimulus needs.
• Reducing unemployment and financing infrastructure projects during such a challenging economic time will require flexibility and innovation by both the public and private sector.

• Key ways the federal government can utilize the private sector to more effectively address employment and infrastructure demands include:
  - Tying stimulus and federal funds access to private capital involvement and/or P3 legislation allowing private investors to benefit from tax-exempt debt
  - Continuing the expansion of P3 initiatives such as interstate tolling and airport P3 pilot programs.
  - Removing existing limitations on private concessions in public facilities.
  - Creating a national standard for P3s and a funded federal technical assistance program to help state and local governments establish PPP “best practices” procurement frameworks that help expedite the delivery of PPP projects while protecting the public interest.
  - Expanding federal innovative financing initiatives such as increasing capacity and flexibility of Private Activity Bonds (PABs) and TIFIA.
    - Exempt PABs for infrastructure projects from the Alternative Minimum Tax and state and federal cap allocation.
    - Increase total TIFIA authorization and the percentage of each project TIFIA can fund.
  - Create a National Infrastructure Bank (NIB) that is authorized to lend at favorable terms to both the public and private sectors for qualified infrastructure projects.
    - Base structure on European Investment with federal and state guarantees to backstop new NIB debt issuance to provide loans for infrastructure projects.
  - Facilitate the establishment of a AAA/Aaa bond guarantor strictly for infrastructure or P3 related issuances.
Supporting Materials

This summary of information was created by Kearsarge Global Advisors in coordination with Abertis, Allen & Overy LLP, Barclays Capital, Carlyle Infrastructure Partners, Chadbourne & Parke LLP, Citi Infrastructure Investors (CII), Credit Suisse, Debevoise & Plimpton, Freshfields Bruckhaus Deringer, Fulbright & Jaworski, Mayer Brown, McKenna Long & Aldridge LLP, Merrill Lynch, Morgan Stanley, RREEF, RBC Capital Markets, Scotia Capital, and UBS.
State Deficits

Projected State Budget Gaps 2009: in USD Billions ($98.6 Bn)

- State budgets are being squeezed by reduced tax revenues and increased social spending which has forced them to take on more debt and drain their reserve capital.
- IN FY2009 it is projected that 46 states (plus the District of Columbia) will face budget shortfalls, some in the tens of billions.
- State governments are experiencing detrimental increases in their individual debt-to-GDP ratios.
- In 2009 states will be looking for alternative measures to cut spending and raise revenues, especially if debt-financing instruments become harder to secure.

States in Crisis

Budget Shortfalls

Estimated US Annual Infrastructure Capital Requirement 2005-2025 ($286 billion)

- Source: American Society of Civil Engineers
Private Capital Can Help the US Make the Grade

The American Society of Civil Engineers (ASCE) gives the U.S. transportation network a grade of D. This reflects the widespread need for new capital funding sources, including tapping private sector capital.

### US Infrastructure Report Card 2009
**Estimated 5 Year Investment Need: $2.2 Trillion**

<table>
<thead>
<tr>
<th>Infrastructure Type</th>
<th>Grade</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Roads</td>
<td>D</td>
<td>Poor road conditions cost U.S. motorists $54 billion a year in repairs and operating costs-$275 per motorist. Americans spend 3.5 billion hours a year stuck in traffic, at a cost of $63.2 billion a year to the economy. Total spending of $59.4 billion annually is well below the $94 billion needed annually to improve transportation infrastructure conditions nationally.</td>
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<tr>
<td>Aviation</td>
<td>D</td>
<td>Air travel and traffic have reportedly surpassed pre-Sept. 11 levels and are projected to grow 4.3% annually through 2015.</td>
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<tr>
<td>Rail</td>
<td>C</td>
<td>Freight rail tonnage is expected to increase at least 50% by 2020. The freight railroad industry needs to spend $175 to $195 billion over the next 20 years to maintain existing infrastructure and expand for freight growth. Expansion of the railroad network to develop intercity corridor passenger rail service is estimated to cost approximately $560 billion over 20 years.</td>
</tr>
<tr>
<td>Transit</td>
<td>D</td>
<td>Transit use increased faster than any other mode of transportation – up 21%-between 1993 and 2002. In 2002, total capital outlays for transit were $12.3 billion. The Federal Transit Administration estimates $14.8 billion is needed annually to maintain conditions, and $20.6 billion is needed to improve to “good” conditions.</td>
</tr>
<tr>
<td>Navigable Waterways</td>
<td>D</td>
<td>A single barge traveling the nation’s waterways can move the same amount of cargo as 58 semitucks at one-tenth the cost-reducing highway congestion and saving money. Of the 257 locks on the more than 12,000 miles of inland waterways operated by the U.S. Army Corps of Engineers, nearly 50% are functionally obsolete. By 2020, that number will increase to 80%. The cost to replace the present system of locks is more than $125 billion.</td>
</tr>
<tr>
<td>Bridges</td>
<td>C</td>
<td>Between 2000 and 2003, the percentage of the nation’s 590,750 bridges rated structurally deficient or functionally obsolete decreased slightly from 28.5% to 27.1%. However, it will cost $9.4 billion a year for 20 years to eliminate all bridge deficiencies.</td>
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Market Dynamics

Municipal Bond Financing Increasingly Challenging

- Declining issuance / increasing rates.
- Insured bond issuance down over 50% year-on-year.
- Issuance for 2009 predicted to decline by 30-40%.
- Many large institutional investors such as property and casualty insurance companies with losses are out of the market.

States and Municipalities are Being Negatively Affected

- New York MTA, Ohio, and Hawaii have postponed bond offerings due to lack of interest.
- California struggled to sell $4 Bn of bonds - sold 8-month notes at 4.25% versus ~1.3% for treasuries of same duration.
- Birmingham, Alabama (Jefferson County) facing severe financial difficulty.

Current Market Dynamics - Decreasing Funding Sources Cannot Support State / Municipal Needs

<table>
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<tr>
<th>Primary Sources of Tax Revenue</th>
<th>Evidence of Decline</th>
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| Real Estate Taxes: Declining  | • Housing starts fell 12.9% in July, 8.1% in August, and 6.3% in September to a new low of 817,000
|                               | • Freddie Mac’s Conventional Mortgage Home Price Index (CMHPI) registered a 6.0% drop in U.S. home values for the four quarters ending 2Q2008, the largest in the 39-year history of the series |
| State Sales Taxes: Declining  | • Consumer confidence at all-time low of 38.0 (consumer spending 70% of U.S. GDP)
|                               | • Real consumption estimated to have dropped 3.1% in the third quarter; expected to fall further |
| State Income Taxes: Declining | • California (top muni issuer ahead of #2 NY): baseline revenue estimate is 4.75% below original budget (November revenues 18.5% below budget)
|                               | • Unemployment at 7.7% in CA as of Sept versus 6.5% nationally as of October
|                               | • NY: $15B budget shortfall projected 2009-2010 (The financial sector generates 20% of state tax dollars today - the state’s budget division now projects a 35% drop in capital-gains revenue and a 43% decrease in bonuses. Budget is ZERO revenue from financial sector for the next two years).
|                               | • VA revised down 6% for year / projecting $3.2 billion shortfall for current year and next year
|                               | • Ohio: $7 billion shortfall (approx. 30% - cut income taxes 21% in 2005). Gov. Ted Strickland wrote Obama to request $100 Bn state bailout, “…in the next 2 years, Ohio will confront the most serious erosion in revenues it has experienced in the last 40 or 50 years.” |

Since 2006, over $300 billion of incremental leveraged purchasing power has been generated for infrastructure.

The capital market environment in 2008 has become increasingly turbulent throughout the year, but fund raising in infrastructure sector has remained fairly strong in this difficult environment.

Investor interest in the sector remains strong, with more investors putting in place dedicated programs with separate infrastructure allocations.

Notes
1. Estimated fund sizes levered at 60% debt-to-equity
2. "Other" includes Blackstone, John Laing/Henderson, Ampere, DIF Infrastructure, Fortis, HSBC, Industry Funds Management (IFM) and other firms
2009: More Money for Infra Will Be Available

Market Appetite in 2009 for Infrastructure Investment Continues to be Strong

Poll: Funds Ready to Invest in Infrastructure

- Investors are optimistic going into 2009
  - 36% of active investors reported that their appetite was likely to increase next year
- Stable and Increasing Allocations
  - 29% of respondents said they would increase allocations to infrastructure in 2009
  - 35% reported that they would continue to allocate similar amounts. Investors are optimistic.
  - Only 5% of respondents said that they planned to decrease future commitments to the sector

Note: During the first half of September 2008, Probitas Partners conducted a survey to gauge investor interest, opinions, and perspectives on investing in infrastructure funds. The survey was completed just as the current turmoil in the capital markets began, reflects investor opinion in what the beginning of a difficult market.

Plans for Infrastructure Investing...

- 29.1% My Firm Opportunistically Considers Infrastructure Investments
- 22.2% My Firm Has Had An Active Infrastructure Investing Program For More Than 1 Year But Less Than 5 Years
- 19.7% My Firm Is Considering Making An Allocation to Infrastructure Investing
- 16.3% My Firm Does Not Make Infrastructure Investments and has No Current Plan to Do So
- 8.9% My Firm Has Just Begun A Program to Make Infrastructure Investments
- 5.4% My Firm Has An Active Infrastructure Investing Program for More Than 5 Years
- 3% Other

There is Particular Interest in the US Market and Across All Sectors

Investors in the Probitas Partners survey were asked if they had a preference for a particular geographic area. The vast majority of the respondents to the survey were from North America and Western Europe, and the results reflect this bias. A majority of respondent favored Global Infrastructure funds, followed by strong interest in North America. The interest in North America was quite strong even among non-North American respondents, most of whom were from Western Europe, through unsurprisingly, Europeans have a strong interest in their home markets as well.

Source: Probitas Partners
Public Private Partnership (PPP or P3) in the US

There must be a review of how private capital and public pension funds can be put to work in making every federal dollar greater when leveraged, which will result in more jobs with less pressure on tax increases and debt.

Public Private Partnerships

• A public private partnership, broadly defined, is a contractual arrangement between a public agency and a private-sector entity to deliver a public service. These partnerships, which have been successful in other states and around the world, provide an infusion of private-sector capital as well as best practices in maintenance and operations, and improvement and expansion of roads, bridges and other infrastructure.

• To combat growing deficits in state transportation budgets and increasing maintenance and construction costs, many policy experts and government officials see the benefit in exploring relationships with private partners on certain projects.

• PPPs shift key risks from the public agency to private investors, such as construction cost, traffic, financial cost, O&M cost, direct taxation, and changes in general legislation and regulations.

• Given current market conditions, granting private investors greater access to tax-exempt market for brownfield projects would accelerate private investment in P3s.

States with Public Private Partnership Authority

• Today, over 20 states allow for some form of public private partnership.

• Since 1985, approximately 83 transportation public private partnership projects have been contracted or completed in the United States.

Source: The Journal of Private Equity, Spring 2008
Benefits of Private Investment with Gov Oversight

States and Municipalities Have a lot to Gain

How Public Private Partnerships Work for States and Municipalities

Ownership / Control

Public Sector Maintains Ownership
- Through the contract, or a “Concession Agreement,” the public sector sets rate schemes, Operating Standards, and other legal requirements to which the Private Operator must adhere.
- Existing public sector collective agreements are honored and any transfer of employees respects their union representation and terms of employment.
- Public authority is entitled to terminate Concession Agreement upon specified default events:
  - Failure to mobilize construction by a specified deadline.
  - Failure to complete construction by a specified deadline.
  - Insolvency / bankruptcy of Concessionaire.
  - Failure to maintain required availability and performance levels.
  - Material breach of the Concession Agreement.

Payment

Government receives direct revenue (upfront payment / portion of future revenue) and/or investment through project delivery
- Public private partnerships are the only option currently being discussed that provides new money through a large cash infusion, which can then be reinvested in infrastructure or other public goods providing long-term economic benefits to the public sector. In addition, public private partnerships provide additional funds through construction investment.

Risk Transfer

Financial, Construction, Operation, and Revenue risks Are Shifted to the Private Partner
- Allocates each risk to the party best placed to manage it.
- Transferred risk decreases the risk profile of taxpayers and users.
- Transfer of both construction and operations risk to private sector.
- More efficient contract administration.
- Transfer of funding risk, due diligence and monitoring responsibility. Funds provided on a “limited recourse” basis, funders depend on the project’s success, extensive due diligence and monitoring by independent technical experts.

Additional Benefits to Asset Users

Supplies
Private expertise and operational efficiencies

Accelerates
High priority projects

Promotes
Entrepreneurial development and innovation

Transfers
New technologies and global best practices
Long-term Benefits

Value for Money: Private Capital Increases Value

- Value for Money: The cost difference between Traditional Procurements and Public Private Partnerships (PPPs) as illustrated in the adjacent chart.
- Key benefit to PPP is the transfer of risk to the party that is best equipped to manage it.
- The savings achieved through risk transfer more than offset additional PPP costs.

<table>
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<tr>
<th>Traditional Procurement</th>
<th>Public Private Partnership</th>
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<tr>
<td>The estimated total project costs that would be realized with the traditional procurement model.</td>
<td>The estimated total costs expected with the alternative PPP model.</td>
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Life Cycle Maintenance and Development

Continued Long-Term Investment in Public Infrastructure

- A public authority, by using private sector resources and focusing on a life cycle project delivery, can implement long-term capital projects regardless of short-term peaks and troughs of public agency budgets.
- Such an approach incentivizes the partner to design and construct for the lowest life cycle cost.

The life cycle delivery approach produces a single contract for design, construction, operation, and maintenance whereby public and private partners’ incentives are aligned, focusing on whole-life costs of project.

RESULT

- Ensures the project’s long-term affordability.
- Promotes long-term value through competitive bidding process.
- Ensures appropriate cost-effective design and construction that accounts for maintenance and other future costs.
- Enhances customer service.
- Allows the setting of clear performance standards and maintenance requirements for the full life of the project - significant financial incentive for proper maintenance and consistent service to the public.
- Permits long-term budgeting.
Sanef Acquisition, Northwest France, 2005-06
5.3 billion euros, initial investment

- One of three large French Highway concessions of which the French Government decided to transfer its shares through a competitive bid process in 2005.
- Bid structured as a P3 monetization, which was competitively awarded based upon size of the upfront payment and qualitative considerations.
- Bidding required submission of a business plan detailing traffic, toll rates, operating and capital expenditures and financial structure along with an industrial plan that detailed strategic, management, labor and operational commitments.
- The acquisition consideration represented a total of 5.35 bln Euros, of which 3.35 bln Euros were financed through a senior secured debt (The Facility) and the balance though equity contribution by the Sponsors. The Facility was reduced to 2.6 bln Euros after a buyback and amortization of Sanef shares by Sanef itself, for an amount of 750 mn Euros.
- Project debt was secured by Concessionaire revenues.
- Annual toll rates were legally set at 70% of CPI. Additional increases in toll rates are established based on a five-year CAPEX plan to be agreed with government authorities.

I-495, Capital Beltway HOT Lanes, Fairfax County, VA, 2008
$1.9 billion total project cost

- Corridor is second worst congested region in the US.
- Minimal to no ability to build out existing corridor due to physical constraints and social impacts.
- Private developer was selected through a DBFOM procurement process to construct 14 miles of electronically tolled HOT lanes, providing two new lanes in each direction and upgrades to 11 interchanges.
- Private consortium facilitated access to multiple sources of capital not available under traditional financing methods:
  - State grants; TIFIA loan; tax-exempt Private Activity Bonds; Private equity.
- Dynamic toll pricing will be implemented to manage traffic and maintain free-flow conditions
- HOT Lanes will provide:
  - Trip time reliability; Travel time savings; Enhanced corridor mobility; Increased customer choice.
- Project debt is secured by toll revenues.
- Revenue sharing arrangement with the Virginia DOT provides a percentage of gross revenues once return hurdles are met and participation in refinancing benefits.
## Select Projects Benefited by Private Capital

### John F. Kennedy Airport International Terminal, New York, NY, 1999
- $1.2 billion total project cost

- Largest airport privatization project undertaken and largest airport revenue bond issue brought to market in the United States at that time.
- Competitive solicitation involving international consortiums of private developers, operators and financiers.
- DBFOM concession arrangement best addressed the existing challenges faced by the Port Authority of New York and New Jersey:
  - Limited debt capacity to finance necessary improvements.
  - Traditional procurement practices would cause significant delays.
  - Reconstruction during ongoing airport operations posed substantial construction and operational challenges.
- The terminal redevelopment project consisted of:
  - Design and construction of a new 16-gate, 1.5 million square foot facility.
  - Two flight concourses connected by a three-level terminal.
- The private consortium entered into a 28-year concession lease with the Port Authority.
- Project debt was secured by lease payments from the private concessionaire, payable from terminal revenues, including airline fees and terminal retail revenues.

- $875 million total project cost

- Competitive solicitation of developers and financiers.
- Largest-ever privately developed and financed federal facility project.
- Project consisted of the construction a new headquarter campus for the US PTO.
- A private developer was selected through a DBFOM procurement process in order to provide most efficient access to the capital markets.
- Developer entered into a twenty year performance-based lease with two ten-year renewal options with the US Government acting by and through the General Services Administration, and a one year lease, subject to annual renewals with the US PTO.
- Underlying leases served as the primary source of security for the project debt.
Rating agencies were highly supportive of the City’s decision to stretch out the use of transaction proceeds over a number of years.

“It’s a prudent use of the proceeds to establish a fund and to ensure that the current revenues of the system are replaced.”

– Fitch Ratings’ analyst Melanie Shaker (6)

Notes
1. Long-term reserve/revenue replacement fund will yield roughly $20 million annually to replace revenue currently generated by the parking meters
2. Mid-term budget relief fund devoted to balance City budgets through 2012 consistent with the 2009 budget plan
3. Human infrastructure fund devoted to supporting programs for those in need
4. Budget stabilization fund will be used as needed to bridge period of economic downturn
5. Published fund amounts do not add up to total proceeds due to other adjustments

From concession agreements, a state or municipality can use the upfront payment to ensure that the current revenues of their fund system are replaced and/or bolster the overall credit standing of the public sector.

Post closing, Chicago allocated the $1.157 bn in proceeds to four funds.

Chicago Metered Parking - Use of Transaction Proceeds

$1.157 bn in Total Proceeds was Allocated to Four Funds

- Total Proceeds ($): 1,157
- Budget Stabilization Fund ($): 324
- Human Infrastructure Fund ($): 100
- Mid-Term Budget Relief Fund ($): 325
- Long-Term Reserve Fund ($): 400

Source: City of Chicago Press Release
Successful Use of Private Capital Around the World

There are many ways this private money can be tapped as it has been around the world.

The European Union: Establishment of European Investment Bank (EIB) in 1958

- The EIB was created in 1958 as the primary financing bank for the European Union, it exists to serve the interest of the EU, both locally and abroad.
- EIB provides financing and investment incentives to various infrastructure projects that helps in achieving social and economic integration within the European Union.
- The EIB is owned by the 27 EU member states.

The United Kingdom: Establishment of the Private Finance Initiative (PFI) in 1992

- Since the introduction of the Private Finance Initiative (PFI) in 1992 the UK has used the Public Private Partnership model to procure projects involving the construction of assets needed to deliver public services.
- As of March 2008, over 625 PFI projects had been signed with a total capital value of $90.4Bn.
- PFI contracts have been used across a wide range of sectors: transport, hospitals, schools, defense, leisure, culture, housing and waste.

Canada: Establishment of Partnerships British Columbia (Partnerships BC) in 2002

- Entry point for the private sector to bring forward ideas and solutions. More than 20 PPP projects have been or are scheduled to be delivered on time and on budget in BC.
- Imposed institutional discipline on the Public Private Partnership analysis (rigorous market sounding, in-depth feasibility studies, development of business cases, careful analysis of value for money and risk allocation)
- Developed standardized transaction documents and processes, thus reducing transaction costs and duration for the benefit of both the public and private sectors.
P3s have successfully “deliver[ed] some of the government’s most complex and significant public sector infrastructure projects and programmes” over and above what traditional methods can accomplish.

~ UK Treasury

Successful Track Record of PPP Delivery in the UK

- In 2003, a study by the UK National Audit Office found that PFI have consistently demonstrated good value for money.
  - PFI delivers projects on time and on budget more effectively than traditional procurement.
  - The whole-life cost approach under PFI encourages good quality design and construction.
- Furthermore, a 2006 report by Partnerships UK (Report on Operational PFI Projects) showed 96% of public sector managers surveyed believed operational performance was satisfactory or better, with 66% believing it to be good or very good.
- Following its success in the UK, the PFI model and guidance has been used as a reference globally (e.g. EU, Canada).

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