California High-Speed Rail Authority

Update on Public-Private Partnerships

Infrastructure Management Group, Inc.

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Private Outreach Summary

Over the past two months, the financial team continued its private sector outreach and surveyed a cross section of firms to understand their interest in the project.

- The team held discussions with **12** firms that have experience in finance, operations, equipment/systems supply, and construction of large projects; many of these firms made RFEI submissions.
- The purpose of the discussions was to gauge private sector views on and response to:
  - Updates in public funding sources
  - P3 and financial market conditions
  - Allocation of key project risks.
- Despite uncertainty in the financial markets, private sector interest remains **strong** amongst a **variety of firms.**

Public-Private Partnerships - Key Takeaways

Private firms continue to be willing to accept project risks related to their own performance.

- Firms are comfortable tying payment to performance, with delivery mechanisms such as design-build, availability payment, and design-build-operate-maintain.

Firm Type	Interview Participants
Construction	5
Operations	1
Equipment Supply	2
Finance	4
Total	12
(RFEI Participants)	8

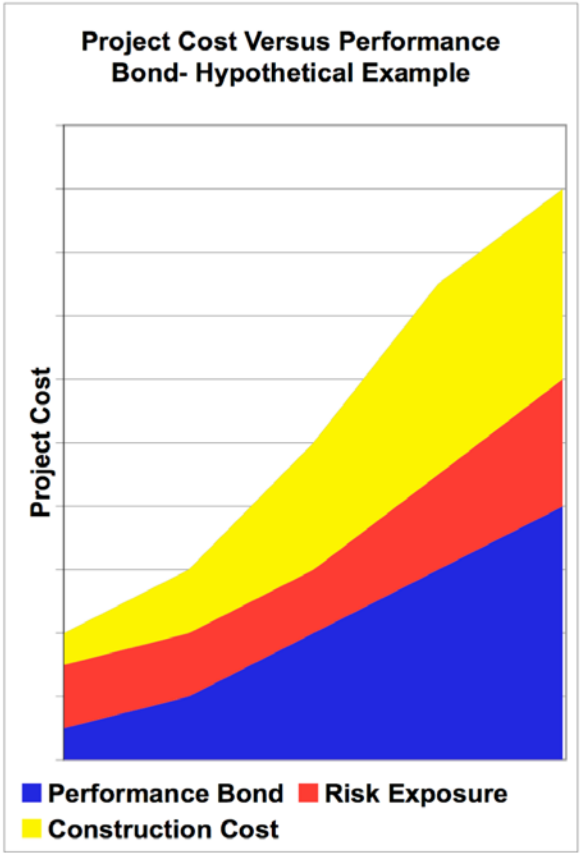
- In general, firms prefer to accept risk related to their own area of expertise, i.e. construction firms will take construction risk, but not operating risk and vice versa.

Firm Type	Risk Acceptance
Construction	Construction
Operations	Operational, Ridership
Equipment Supply	Technology
Finance	Ridership, Financial

Public-Private Partnerships - Construction Bonding

Based on these discussions and RFEI responses, the Authority will need to determine an optimal level of construction bonding.

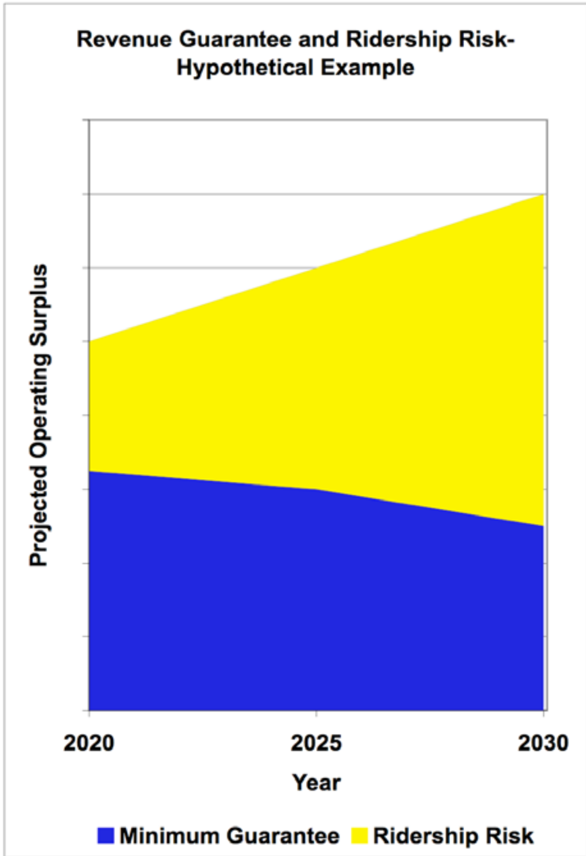
- Firms were unanimous that performance bonding at 100% of construction cost is unlikely for a project of this magnitude.
- For projects in the $1-2 B range, bonding at 50% is typical. However, obtaining more than $200 - 300 M for any size project is unlikely today.
- Firms stressed the need to determine the Authority's true risk exposure, and seek appropriate performance bonding, surety bonds, or parent company guarantees.



Public-Private Partnerships - Ridership Risk

Unproven demand for high speed rail in the U.S. limits the appetite for ridership risk.

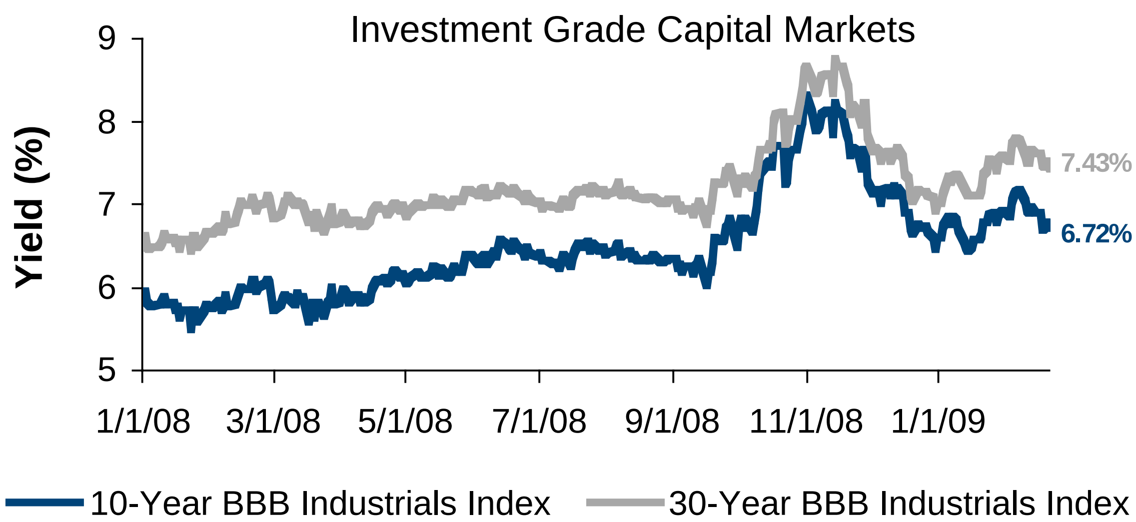
- Many of those surveyed would be willing to accept some limited ridership risk.
- Willingness to accept such risk could increase as the project is nearer to completion, or after several years of ridership has been demonstrated.
- Some form of guarantee may be needed to encourage firms to accept substantial revenue risk.



Financial Markets Overview

Despite the current uncertainty in the financial markets, there are signs of slight improvement.

- Despite falling equity values and widening credit spreads, the investment grade new issue market shows considerable stability.



- Asset devaluations have hurt large infrastructure finance companies, however.

Financial Markets Overview

Several large transactions are moving forward, providing comfort that well-structured deals are winning market acceptance.

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Financial Markets Overview

Several large transactions are moving forward, providing comfort that well-structured deals are winning market acceptance (cont'd).

North Tarrant Expressway- Dallas, TX

- $2.0 B, 52-year concession consists of planning, financing, designing, constructing, operating and maintaining a system of free and tolled managed express lanes
- Diverse financing package comprised of public funds ($570 M), private sector senior bank debt ($300 M), Private Activity Bonds: ($300 M), TIFIA loan: ($600 M) and concessionaire equity: $370 M (65% Cintra, 25% Meridiam, 10% Dallas Police and Fire Pension).
- State expected 64 lane miles to be built, but successful bidder will build **169 miles**.

Lyndon B Johnson Expressway Dallas, TX

- Managed lanes project with public subsidy estimated at $700 M.
- Winning bidder requested $485 M.

Financial Markets Overview - High Speed Rail Projects

Several large transactions are moving forward, providing comfort that well-structured deals are winning market acceptance (cont'd).

Southwest Atlantic High Speed Line (Tours-Bordeaux, France)

- 300 km line to the southwest of Paris to open in 2015
- Contracting expected in early 2009
- Project cost of 7.2 B Euros ($9.07 B)
- Full DBFOM concession for 40+ years
- Public private share still being negotiated, expected up to 50%.

Barcelona- Perignan High Speed Rail

- Private concessionaire is taking traffic risk on the greenfield high speed rail line that will include passenger and freight rail.

Public-Private Partnerships: Next Steps

The financial team will work with the Authority and interested private firms to optimize private involvement in the project.

- The team will continue its dialogue with interested firms and make another report to the Board the next 4-6 months, or earlier if warranted.
- Developing phasing criteria and selecting projects for early delivery will drive the next steps in the P3 process.
- Because a RFQ/ RFP process can take 12 to 18 months, the Authority may wish to consider initiating an RFQ/RFP process in the next 6 to 9 months, based on the current development schedule.

Public-Private Partnerships: Conclusions

Private firms are eager to participate in California's high-speed rail project.

- Despite current financial markets, many large projects are moving forward and most firms expect economic recovery in the next 1-2 years.
- Firms are willing and able to accept many forms of risk transfer, but are reluctant to accept risks that are beyond their control.
- Well-thought out project staging, firm public funding commitments, fair performance bonding, clear regulatory requirements, and a well-run procurement process will be essential to maximizing private participation.