

AASHTO Annual Meeting 2005
Nashville, TN
Gaylord Opryland Hotel
Sunday, September 18, 2005
Track B1: 3 pm

Financing Infrastructure: Emerging Approaches in the US

Session Objectives

1. To educate the audience on an emerging infrastructure financing approach in the United States – concessions – by discussing the potential application of this approach to projects other than the Chicago Skyway.
2. To inform attendees to answer the question, “Why don’t we do it here?” when faced with inquiries about why State DOTs do not use some of the financing and management approaches applied in other countries, and to educate the audience on what the necessary conditions are to support changes in project financing and project delivery approaches.
3. To share state-level lessons learned so that State DOTs can better prepare to assess the pros and cons of adopting emerging project financing approaches (*e.g.* unsolicited proposals, HOT lanes, concession toll roads, public private partnerships).

Speakers

“Beyond the Skyway: Concessions”

Trent Vichie, Associate Director, Macquarie Securities (USA) Inc.

“Why Don’t We Do It Here?”

Laurie Mahon, PB Consult

“What I Wish I Knew Then”

Barbara Reese, Virginia DOT

Moderator

Will Kempton, Director, Caltrans – Confirmed

Speaker Biographies

Will Kempton, Director, Caltrans - Moderator

Appointed by Governor Schwarzenegger in November 2004, Mr. Kempton is responsible for managing the day-to-day operations of California's state transportation system, including more than 50,000 lane miles of state highways stretching from Mexico to Oregon and from the Pacific Ocean to Nevada and Arizona. As leader of Caltrans, Mr. Kempton oversees an annual operating budget of more than \$9 billion, 22,000 employees, and \$7 billion worth of transportation improvements under construction.

Mr. Kempton began his career in transportation with Caltrans in 1973. He held management positions in the area of finance and the director's office prior to being appointed as Assistant Director in charge of Legislative and Congressional affairs. In these positions, Mr. Kempton developed a broad understanding of transportation programs and policies at all levels of government. He is particularly knowledgeable in the area of transportation finance and legislative point of view.

Mr. Kempton translated his knowledge of transportation programs into the production arena during his employment as executive director of the Santa Clara County Traffic Authority. The sales tax program he managed is widely viewed as one of the most successful ever undertaken in the state, resulting in the delivery of nearly one billion dollars in highway improvements in less than 10 years. During his assignment as director of the Santa Clara County effort, Mr. Kempton mobilized California's sales tax programs into an effective coalition of "self help" counties. Selected by his peers to head this group, he marshaled a confederation of agencies and successfully lobbied Caltrans and the state Legislature for the creation of a state-matching program for locally funded projects. To date, the state/local partnership program has provided more than \$1.5 billion in matching funds for local transportation projects. This creative approach to achieving favorable objectives and the ability to build interest group consensus characterize Mr. Kempton's management style.

Over the course of his career, Mr. Kempton has developed extensive contacts throughout the transportation community at all levels of government. These contacts include local, regional and state administrators, as well as many key members of the state Legislature and the United States Congress. Mr. Kempton has been able to use these contacts effectively to accomplish a variety of objectives. For example, his professional relationship with then Congressman Norman Mineta, former Chair of the House Transportation and Infrastructure Committee, and currently Secretary, U.S. Department of Transportation, has been extremely helpful in securing federal grants to support projects such as the completion of the Measure A program in Santa Clara County.

In January of 2003, Mr. Kempton joined the City of Folsom as Assistant City Manager, Community Services. He was responsible for overseeing the operations of the City's Community Development, Neighborhood Services, Parks and Recreation, Utilities, and Public Works departments. Prior to his appointment, he served as a City Parks and Recreation Commissioner for eight years. Mr. Kempton resides in Folsom with his wife Beverley. He has a son, Mark, and two daughters, Christina and Summer.

Trent Vichie, Associate Director, Macquarie Securities (USA) Inc.

Position:

Associate Director, Investment Banking Group

Education/Professional Qualifications:

Master of Economics (Macquarie University, Sydney Australia)

Fellow of the Institute of Actuaries of Australia

CFA Charterholder

Background:

Mr. Vichie joined Macquarie in 1999. Prior to joining Macquarie, Mr Vichie worked for Lend Lease in a number of roles, including property development and in their life insurance arm as an Actuary.

Experience:

Since joining Macquarie in 1999, Mr Vichie has worked on a wide range of both project finance and structured finance transactions, with a combined value in excess of US\$5 billion. Mr Vichie has extensive experience in the transportation sector having worked on a variety of successful financings, including:

- Toll Roads;
- Rail;
- Airports; and
- Big ticket transportation equipment financings.

Mr Vichie has worked with both Private and Public Sector clients, both in the U.S. and abroad. Mr Vichie worked on the financial advisory team for the Cintra-Macquarie Consortium, which was selected as the winning bidder on the \$1.83 billion Chicago Skyway transaction. He was primarily responsible for securing the debt financing for acquisition. He recently led the team that refinanced the bank acquisition financing with \$1.4 billion bond issuance and \$150 million of sub-ordinated debt. The Chicago Skyway transaction was the first privatisation of an existing toll road in the United States and the largest deal undertaken in the City of Chicago's history.

Laurene (Laurie) Mahon, Principal Consultant, PB Consult Inc.

Education

MCP (Master's in City Planning), Graduate School of Design, Harvard University 1976; BS summa cum laude, Boston University 1974.

Key Qualifications

Laurene Mahon serves as PB Consult's strategic business adviser, overseeing the firm's efforts to assist government and industry clients solve the many challenges of infrastructure project implementation. She has more than 20 years' experience as an international investment banker, corporate executive and project developer, with a particular focus on infrastructure development. Ms. Mahon is an internationally recognized expert on non-recourse financing structures for both the emerging and U.S. bond markets.

Over the years, Ms. Mahon's expertise in developing and implementing transportation finance strategies has paved the way for successful financing for a new bridge over the Tagus River in Lisbon, Portugal; successful privatization of the national railroad in Mexico; and the successful restructuring of the highway privatization program for the Republic of Colombia. Among her many domestic assignments, she advised Raytheon on its bid for the international arrivals terminal at JFK Airport, the Garden State Transit Group on its light rail proposal to New Jersey Transit, and the SR 125 group in San Diego on arranging financing for its private toll road.

Prior to joining PBConsult, Ms. Mahon served as managing director, North America/Infrastructure, in the Global Project Finance and Advisory Group for Chase Securities Inc. While with Chase, she directed all of the firm's project finance lending, underwriting and advisory business in North America, and oversaw its involvement in infrastructure projects around the world.

Before joining Chase, Ms. Mahon was the director of CS First Boston's international infrastructure practice. Her clients included a number of developers and governments pursuing transportation, environmental and telecommunications projects worldwide; her responsibilities included identifying and implementing appropriate financing structures, advising on merger/acquisition/divestiture strategies, and negotiating privatization agreements and tender offers.

Ms. Mahon began her career as a transportation planner at the Port Authority of New York and New Jersey, where she was involved in various regional studies, including rail line extensions to airports and the overall transportation master plan for Hackensack Meadowlands.

Barbara Reese – CFO, Virginia Department of Transportation

Barbara W. Reese has served as Chief Financial Officer for the Department since August 2002. As Chief Financial Officer, Ms. Reese is responsible for procurement, fiscal operations, budgeting, programming, project financial management, state-owned toll roads, Transportation Board debt and the financial aspects of Virginia's successful public-private transportation program. Prior to being named CFO, Ms. Reese served as a principal transportation policy and finance analyst with the Virginia General Assembly's Senate Finance Committee. While there, Ms. Reese served as the chief staff analyst and writer of the FRANs legislation. Ms. Reese has more than 16 years of experience in Virginia state government, including five years with the Department in previous positions. Previously, she was the Department's Financial Planning and Debt Management Director, a legislative analyst for the Joint Legislative Audit and Oversight Committee, and a finance business partner for technology and operations for Signet Bank. She serves on the E-Z Pass Interagency Group Executive Committee, Transportation Research Board Committee on Taxation and Finance, and AASHTO's Financial Management Subcommittee. She is also a member of American Road and Transportation Builders Association ("ARTBA") and International Bridge Tunnel and Turnpike Association ("IBTTA"). Ms. Reese earned her Bachelor's Degree in American Studies from Mary Washington College and a Master's in Public Administration from Virginia Commonwealth University.

Why Are We Doing This Session?

Increasing funding for transportation is always a topic at the AASHTO Annual Meeting because the only incontrovertible assertion in our business is that available resources are scarce. In fact, transportation professionals on the finance conference circuit tire of stating the obvious – needs exceed available resources at all levels of government.

On one hand, gas taxes are the (inadequate) foundation of highway funding. The panel preceding this one will address strategies for increasing gas taxes. The corollary to the “gas taxes are the foundation” hypothesis is that “innovative finance can accelerate project delivery to reap benefits sooner and minimize inflation costs.” In this category we see GARVEE bonds, TIFIA loans, State Infrastructure Banks, and conventional financing techniques (municipal market debt and taxable debt). Numerous FHWA and AASHTO sessions have discussed so-called innovative finance techniques and, by now, many states are using these mechanisms.

In this session, we would like this panel to go beyond gas taxes and innovative finance to discuss what considerations come into play when the private sector takes a larger role in delivering transportation infrastructure.