

**Legislative Study Committee on Private Participation in Toll Projects**  
**April 29, 2008**

**Testimony of Mike Heiligenstein**  
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Good morning Senators, Representatives and members of the committee. My name is Mike Heiligenstein and I am the Executive Director of the Central Texas Regional Mobility Authority (CTRMA). CTRMA was formed in 2003 with jurisdiction in Travis and Williamson Counties. We constructed, maintain and operate the 183A Toll project in Central Texas, and have 5 other projects under development as included in the Capital Area Metropolitan Planning Organization's 2008-11 Transportation Improvement Program.

The CTRMA has become a vital part of finding solutions to the transportation problems which affect our area. With Austin being the most congested mid-sized city in the country, we are working with local officials to address traffic congestion problems that are beginning to occur at all hours of the workday. We have developed strong working relationships with TxDOT (both at the State and District levels) and CAMPO, the region's MPO. We recognize that our partnership with both agencies must be in sync to facilitate solutions to mobility issues. I want them to turn to us for ideas and solutions, just as I turn to them.

Tolling is a new and originally not an entirely popular concept for the area, but the fact that a local entity, under local control, is implementing the plan has helped to gain acceptance and build trust. I am pleased to tell you that approximately 350,000 TxTags have been issued in Central Texas to date. If that's not a sign of acceptance, I'm not sure what is.

Local control has been instrumental in making real progress toward solving the challenges that face our region. I am very appreciative of the support our locally elected officials have given CTRMA and their desire to fix the local transportation problems at hand. As an agency, we could not have experienced the early success we are realizing without them.

Funding is the biggest challenge facing CTRMA, both at the start-up stage and in connection with specific projects. This morning, I will focus on that problem and what we're doing to address it.

As a start-up agency, it takes money to hire staff and consultants to handle project development work. I plan to keep my agency staff numbers low and will contract with outside support to meet short-term and intermediate needs. CTRMA would not be here today without the initial financial support from Travis and Williamson Counties and TxDOT. It is important to build a credible agency so as to gain acceptance in the community and acceptance on Wall Street when we go to them seeking project funding from the capital markets.

In regards to project funding, no project is 100% bondable, and local contributions alone cannot usually make up the difference. It is extremely difficult to successfully finance a project if there

is not some element of leveraged funds – whether they come from local governments or TxDOT funding. It is very important to make as many financing tools available as possible, and I am encouraged by the Legislature’s willingness to consider new tools while maintaining existing financial options.

I recommend that a fund be established within TxDOT that can provide credit assistance for Regional Mobility Authorities’ (RMAs) projects (i.e., loans, grants, guarantees, letters of credit, support for operations and maintenance, etc.) and that funding be restored for the pass-through program (which under current law can be used for tolled or non-tolled projects). I would also recommend that the Legislature consider dedicating certain funds within TxDOT to be made available solely to assist in the start-up activities of RMAs and authorize optional vehicle registration fees for all counties with RMAs.

With the full support of my Board of Directors, CTRMA has undertaken an RFP process for seeking a financial investor to help us get our much needed projects underway. Since a concession is not possible in Central Texas due to the moratorium, and my MPO has clearly indicated they are not interested in concessions, we had to find another way to close the \$500 million to \$1.5 billion funding gap to design and construct the 5 TIP roadway projects. Infrastructure funds, underwriters and others were not offering creative ideas to fund this gap, so CTRMA initiated the process itself, and is about to select a firm to serve as its financial investor at our April 30 Board meeting.

Although we plan to issue revenue bonds and obtain TIFIA loans for each project, the financial investor will facilitate accessing deeply subordinated debt, as needed, to complete financing of the projects. In today’s market conditions, it is anticipated that the cost of this capital will be in the range of 10 to 13%, but when combined with the overall capital structure, which will include tax exempt bonds and TIFIA loans, it will result in a weighted average cost of capital of 5.3 to 5.9%.

The RFP process brought us certainty in our outlook of financing scenarios, which is a great relief given current headlines about capital markets and the sub-prime loan fiasco. We were able to determine that there are equity infrastructure funds willing to invest in roadway projects in Central Texas. It appears that we will be able to move ahead with implementing our MPO’s plans for additional roadway capacity to ease the strain of our current mobility crisis in our region.

In closing, I want to leave you with a few points to remember. We have made great strides in increasing local control, and that has helped to advance much needed transportation projects in our region. We appreciate the tools and the notion of primacy that the Legislature has given to local entities like ours. Although TxDOT’s funding shortfall has had a negative impact on our financing plans, we felt it was imperative to “look outside the box” and search for financial investors to help us close the funding gap. This RFP effort could not have been successful without the support of our local elected officials, who encouraged us to be innovative and transparent in our quest.

Thank you for time and your service to the people of Texas.