

Highway & Transportation Authority (HTA)

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Agenda

1 Introduction & Overview

2 Management Initiatives and Major Projects

3 Financial Situation

4 Concluding Remarks

Agenda

1

Introduction & Overview

2

Management Initiatives and Major Projects

3

Financial Situation

4

Concluding Remarks

Introduction & Overview

Mission

Created in 1965 to assume responsibility for the construction of roads, highways and related transportation facilities in Puerto Rico

Mission

- Provide the people of Puerto Rico with safe highways and a reliable integrated transportation system
- Expedite the movement of people and goods
- Relieve congestion on interstate roads
- Assist in the continued economic development and growth of Puerto Rico

Introduction & Overview

1 Credit Quality Remains Stable

- Large and diverse revenue stream
- Traffic patterns have remained stable during recession
- Bondholders benefit from a gross revenue pledge, toll revision authority and adequate debt service coverage

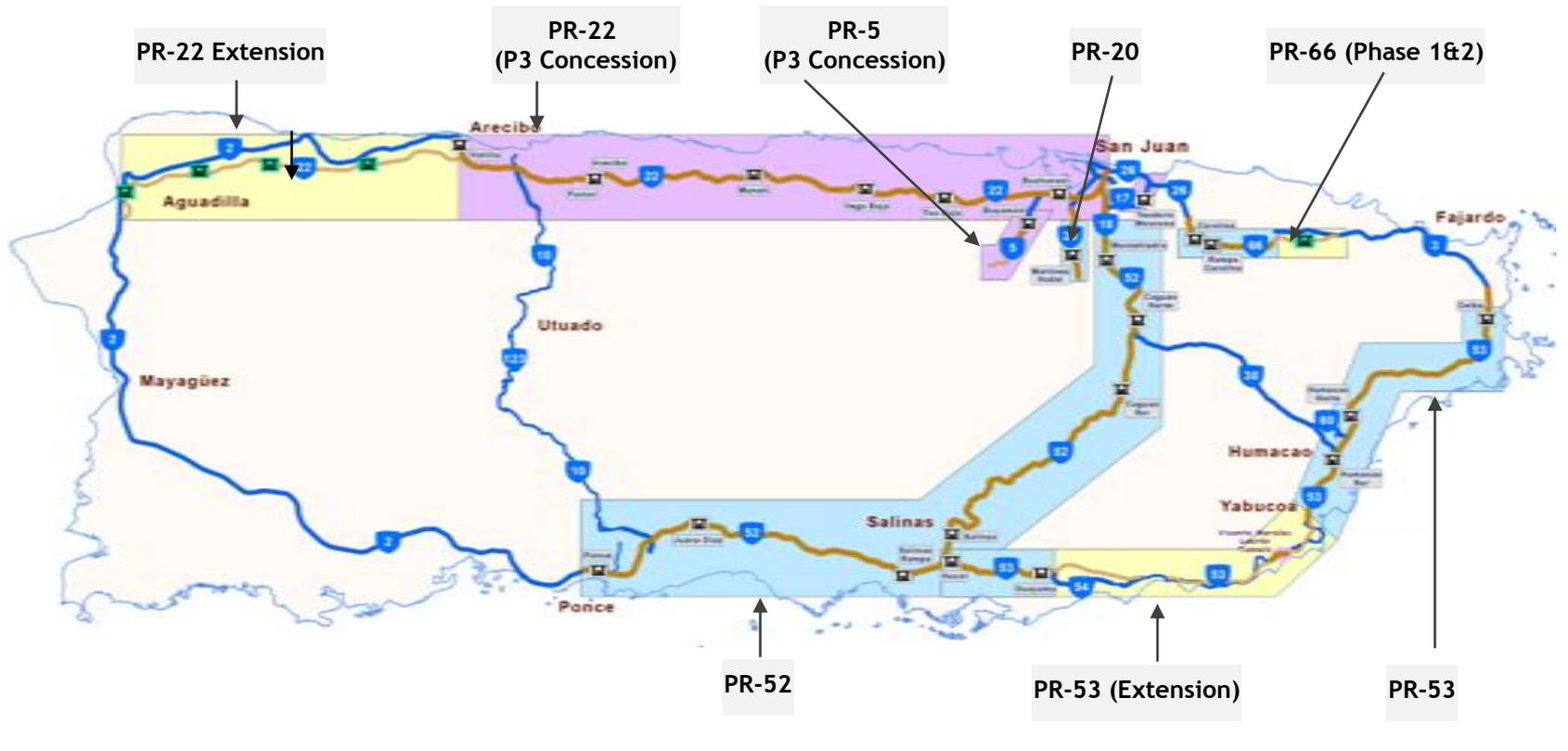
2 Management Initiatives Targeting Restoration of Fiscal Balance

- HTA has scaled back its capital spending to align it with available resources
- Successful implementation of expense efficiencies since 2009
- Executed Fiscal Oversight Agreement (FOA) with GDB

Introduction & Overview

HTA operates and maintains a vital transportation network

HTA's Toll Road System



The Authority's toll road network provides substantial benefits to travelers in terms of convenience, time, and safety over alternative free routes

Introduction & Overview

Restoring HTA's financial independence is a priority for Puerto Rico

- HTA is vital to the economy of Puerto Rico
- Given the importance of HTA's system, GDB has provided continued fiscal support since FY 2009
- As the first step in transitioning to a sustainable funding program, HTA recently completed a public-private partnership ("P3") for PR-22 and PR-5
- Create a new 2012 Bond Resolution is another key step towards stabilizing transportation funding
- Through the inaugural financing under the 2012 Resolution, HTA seeks to:
 - Take advantage of today's low interest rate environment and eliminates future interest rate risk
 - Acquire more "runway" to enact a plan to establish a long-term, sustainable solution to funding its program
- GDB will continue to be a meaningful HTA creditor with a vested interest in maintaining prudent fiscal oversight of HTA through the FOA

Agenda

1

Introduction & Overview

2

Management Initiatives and Major Projects

3

Financial Situation

4

Concluding Remarks

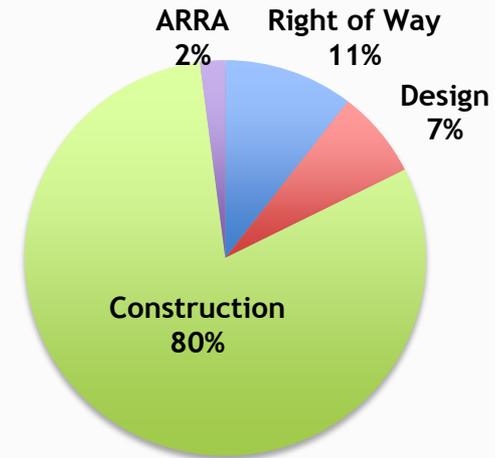
Management Initiatives

Capital Improvement Program designed to optimize use of available funds

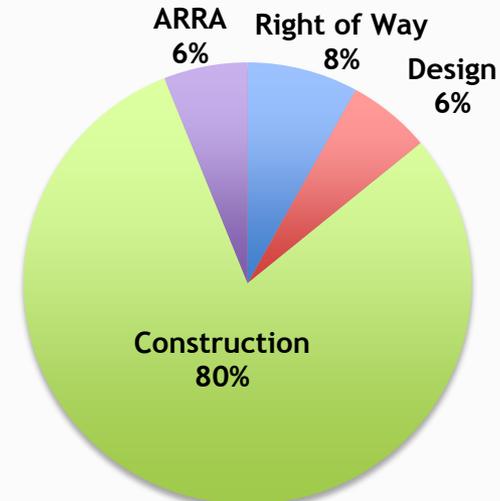
- **Improvements to Project Delivery**
 - Value-engineering reviews help to reduce project costs
 - Minimizing change orders: Construction contracts awarded only after all right-of-ways have been obtained. Helps reduce time impact claims
 - Better up-front utility coordination, particularly with PREPA, avoids delays that added to project costs
 - More realistic schedules

- **CIP has been adjusted to reflect reduced availability of revenues for capital purposes**
 - Current 5 year plan is approximately \$1.4 billion and focuses on optimal CIP investments
 - Approximately \$356 million in investments are scheduled for FY2012
 - Maximize availability of federal funds

FY 2012-16 CIP Investments (\$MM)



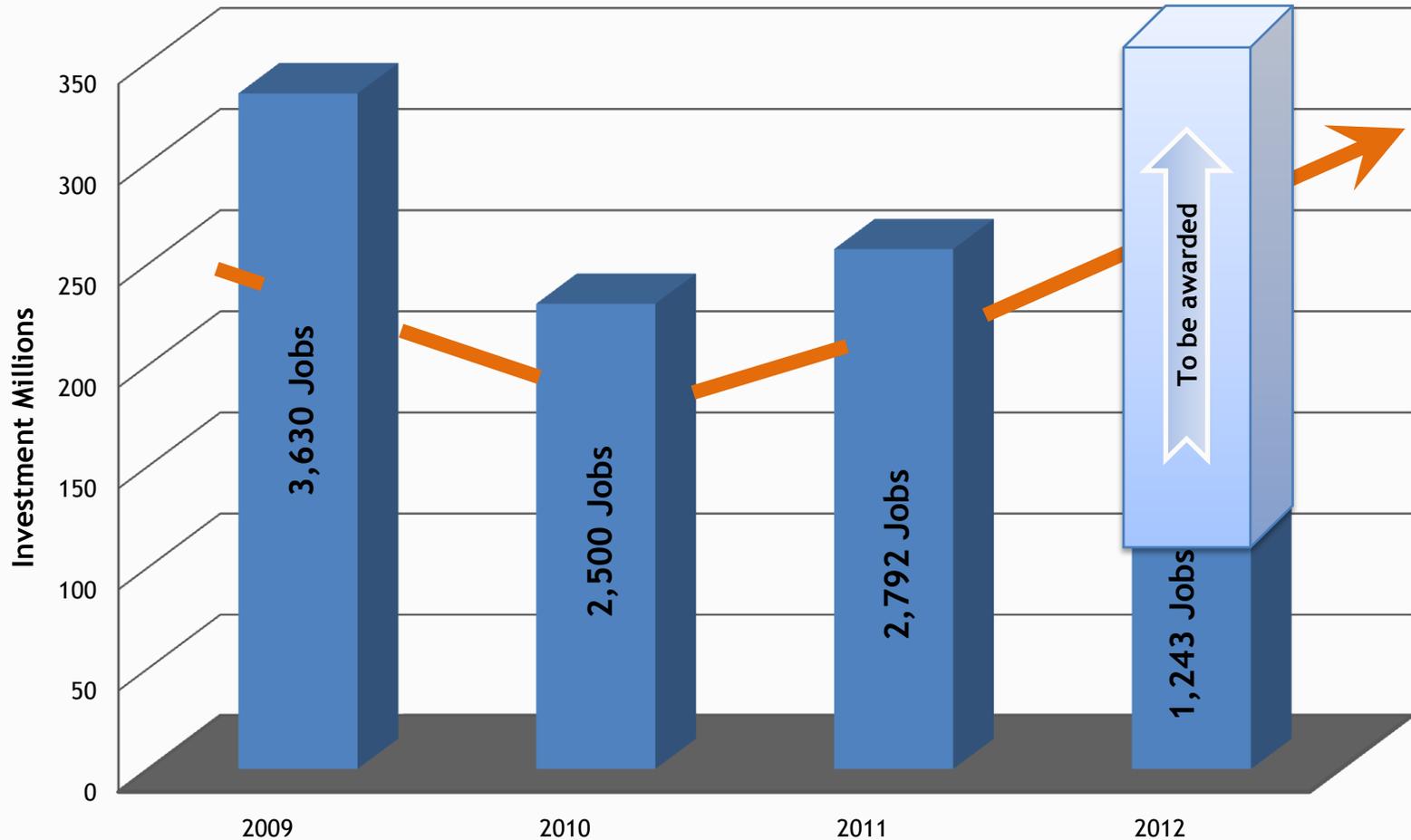
FY 2012 CIP Investments (\$MM)



Management Initiatives

Over \$1 billion in investments in three years

- Majors sources of funding from HTA and FHWA



Major and Strategic Projects

The largest investment in pavement rehabilitation



- Benefits
 - Rehabilitating our aging road system with state and federal funds, and agreements with municipalities
 - Smoother pavements to improve the rides
- Investment - \$262.00 M (Federal and State funds)
- Jobs - 2,830

Major and Strategic Projects

Impacting all of Puerto Rico: optimizing, integrating, building



- **Optimizing:** POC, ITS, AEX eTolls, safety and geometric improvements, bridge rehabilitation and pavements islandwide
- **Integrating:** Trocadero Diverplex, Bahia Urbana improvements, BRTs
- **Building:** PR-9, PR-10 and PR-66, Flood controls, and connectors (Cidra, Arroyo)

Legend:

Strategic Projects

- AEX Toll Conversion
- Trocadero Diverplex
- Intersection 5
- Boulevard del Río
- BRT Caguas
- BRT Carolina
- BRT Toa Baja-Bayamón

Other Projects

Investment in millions of dollars

- ▲ 0.48 - 2
- ▲ 2-4
- ▲ 4-10
- ▲ 11-30
- ▲ 40-73
- Municipal Limit

Major and Strategic Projects

Impacting all of Puerto Rico: optimizing, integrating, building

- Projects funded with federal, local and self generated funds

Project	Description	Investment (\$MM)	Completion Date (est)
PR-66 Extension	8 kms controlled access open toll road	\$160.0	Q3, 2012
Intersection 5	Improving traffic flow at PR-1 & PR-26, Ashford Ave.	5.0	Q2, 2012
Trocadero Diverplex	Modernization of Acuaexpreso Facilities in Hato Rey	5.4	Q2, 2012 (Ph I)
Boulevard del Rio	Improving traffic flow at PR-174 & PR-177	14.0	Q3, 2012
Metro Urbano (MU)	BRT/DTL Toa Baja	94.3	Q3, 2012
AEX Toll Conversion	Conversion of all Toll Plazas by modifying 84 lanes in 23 Plazas along 6 Highways.	26.4	Q2, 2012
Pavement Rehab	Islandwide pavement	262.0	Q3, 2012
	Total	\$567.1	

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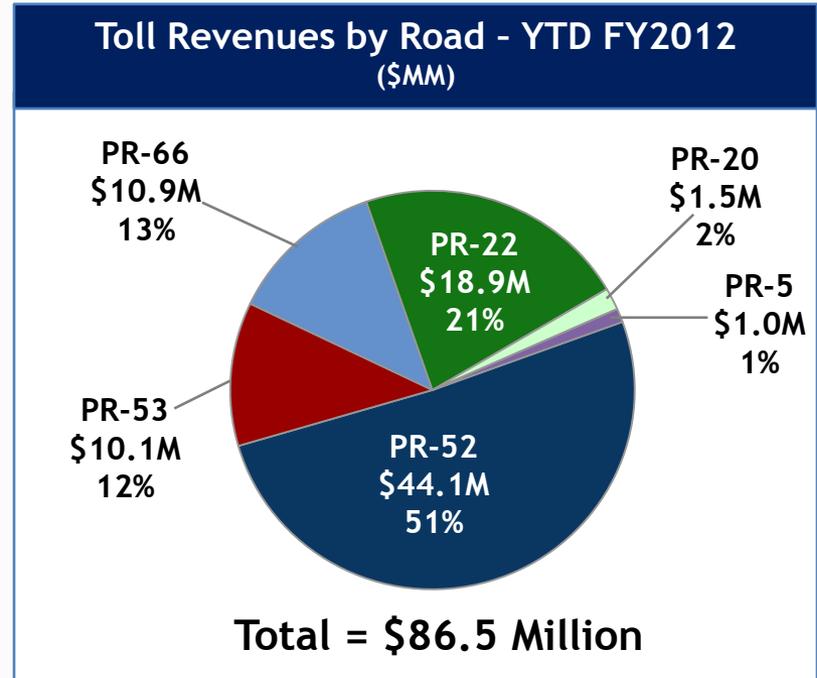
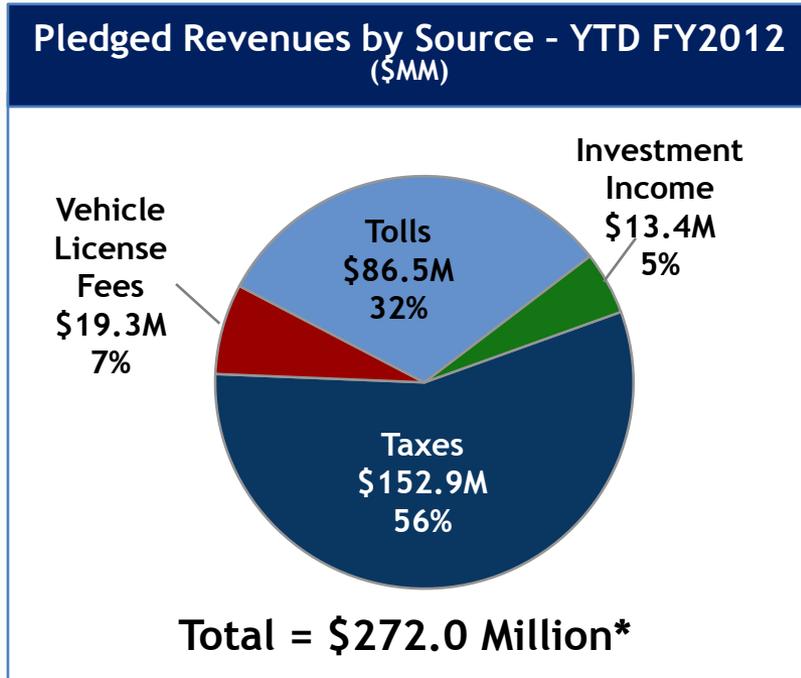
2 Management Initiatives and Major Projects

3 Financial Situation

4 Concluding Remarks

Financial Situation

HTA's diverse stream of Pledged Revenues includes a variety of taxes, fees, tolls and transit revenues



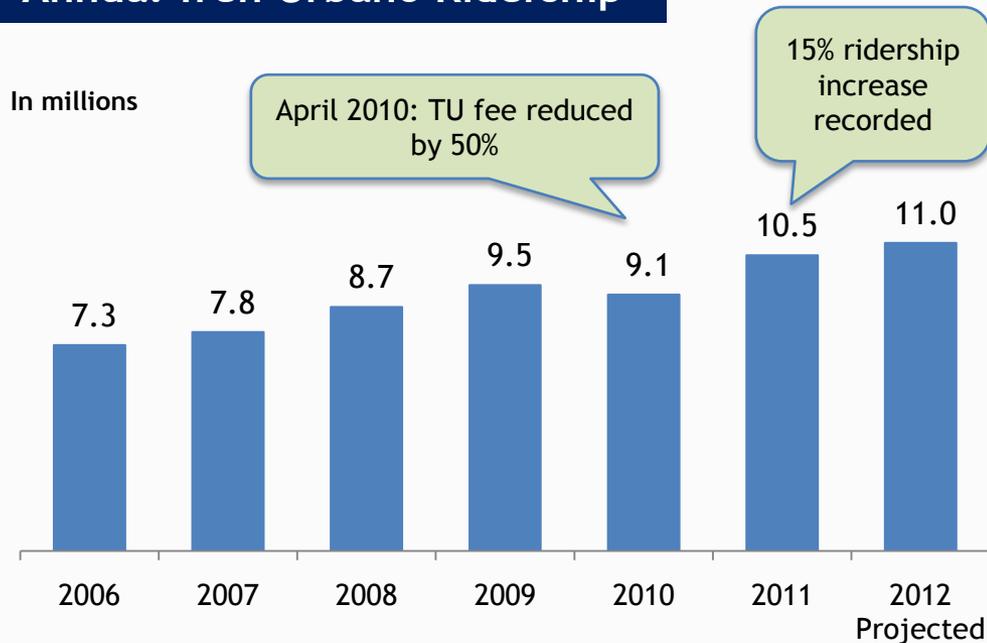
- Despite the recession, toll revenues have remained steady evidenced by a 2% CAGR between FY 2006 and 2011
- Furthermore, excluding PR-22 and PR-5 to focus on the remaining toll facilities post P3 concession, traffic has increased 2% year-to-date when compared to 2008.

* Year-to-Date figures as of January 31, 2012 based on actual revenues from July 2011 thru January 2012 provided by HTA. Does not include Transit Revenues. Preliminary and subject to change upon audit.

Financial Situation

Transit Revenues are derived from Tren Urbano (TU) and projections for Metro Urbano, Tu Conexion and Metrobus

Annual Tren Urbano Ridership



- ✓ Transit revenues account for approximately 2.0% of projected FY 2012 Total Authority Revenues
- ✓ TU is a mass transit rail project for the San Juan Metropolitan area that became fully operational in FY 2005
- ✓ Includes 27 miles of trackway, 16 stations, a maintenance and storage facility and 74 passenger rail cars
- ✓ Average daily ridership of approximately 30,000 trips per day
- ✓ Annual reduction of \$13.5 MM in ATI expenses beginning in FY2010 due to modifications to the TU management contract

Historic and Projected Transit Revenues (\$'s in millions)

	Actual					Projected				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transit Revenues	12.08	11.40	11.63	11.18	8.48	8.82	9.22	9.70	10.06	10.46
Growth	5.80%	-5.60%	2.00%	-3.90%	-24.10%	4.03%	4.46%	5.24%	3.75%	3.94%

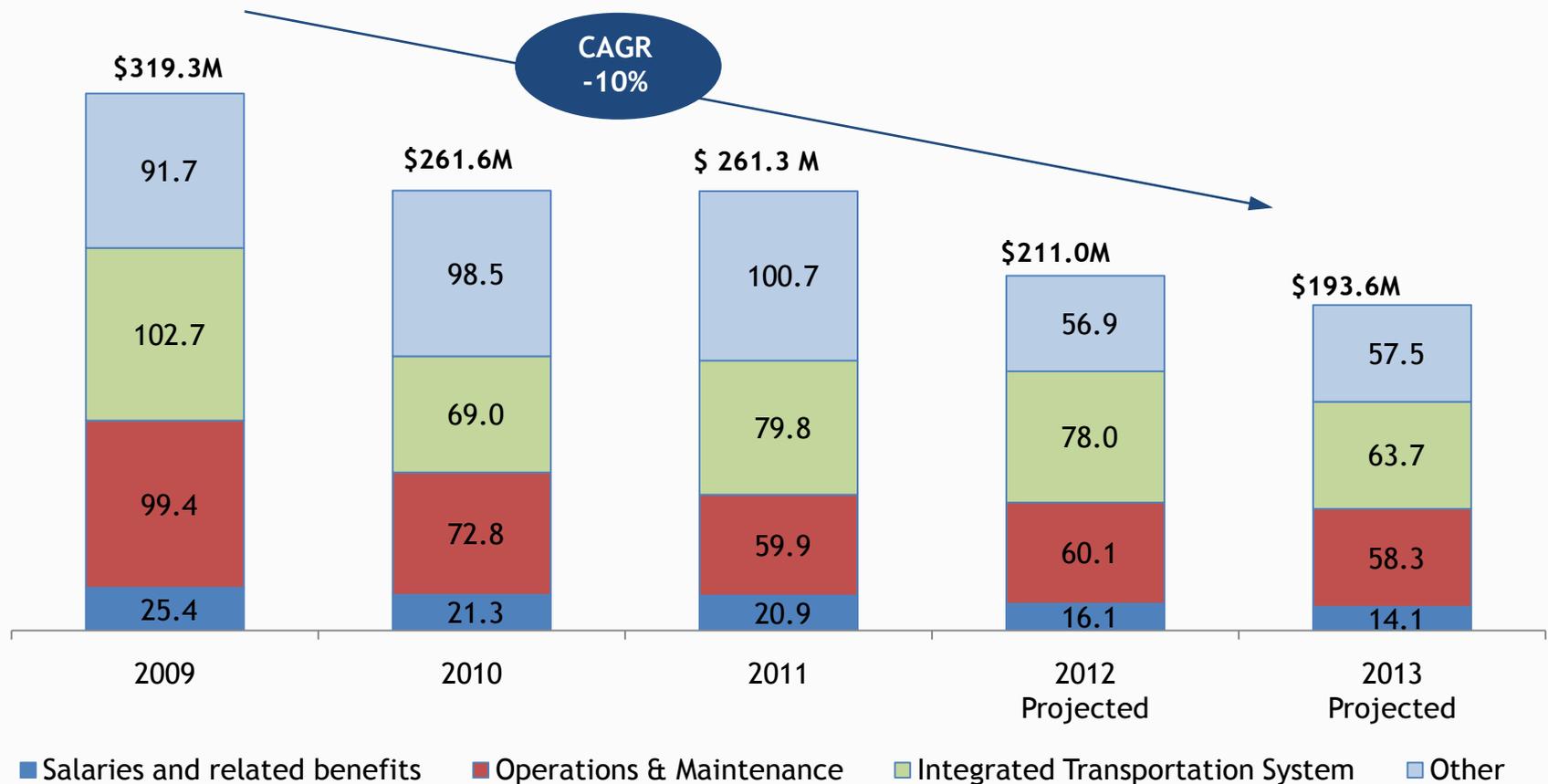
Source: HTA

Financial Situation

HTA's expense reduction initiatives continue to yield results

Key initiatives include:

- Modifications to the Tren Urbano management contract
- Elimination of transfers to DTOP
- Metropolitan Bus Authority subsidy elimination
- Reduction in headcount and overtime



Financial Situation

Expense reduction initiatives have resulted in an 18.2% decrease since 2009

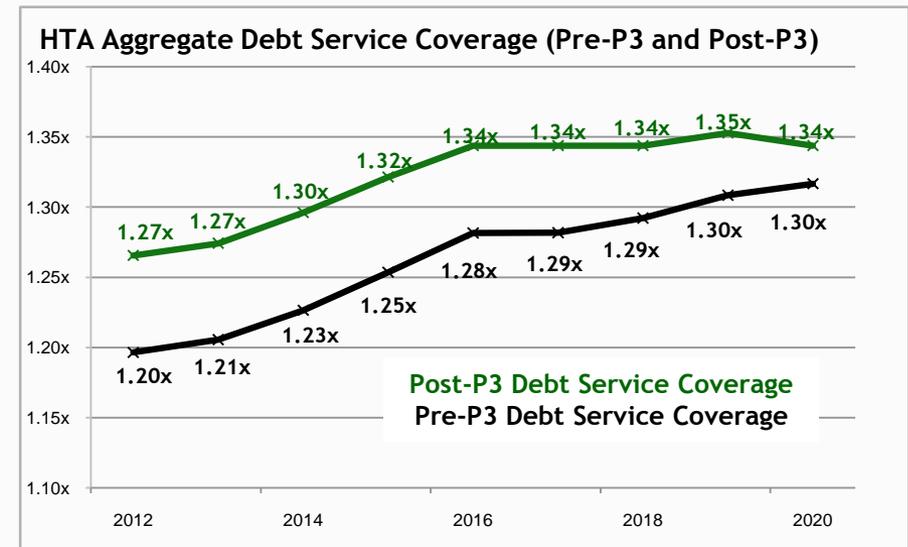
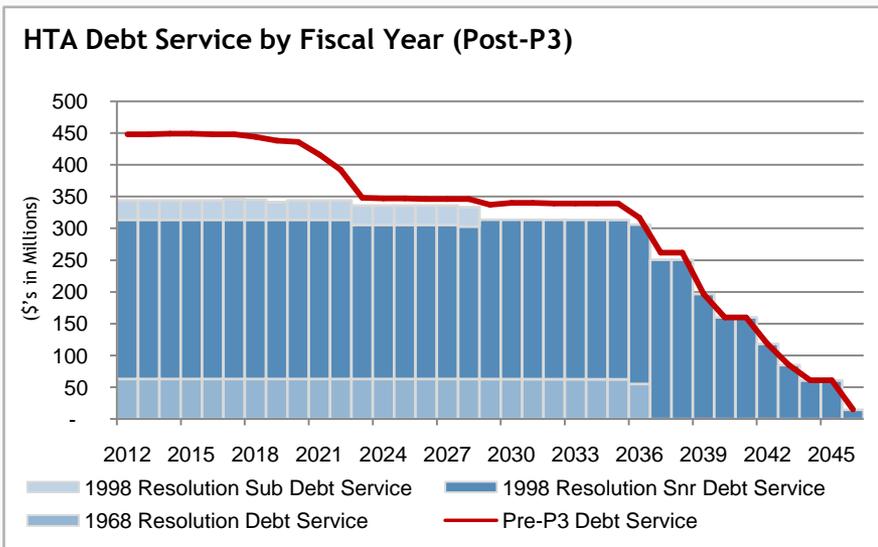
Revenues	FY2009	FY2010	FY2011	Difference 2011 vs 2009	
				\$	%
Taxes	289.6	281.8	271.4	-18.2	-6.3%
Vehicle License Fees	36.3	32.4	33.1	-3.3	-9.0%
Tolls	206.5	209.1	212.2	5.7	2.8%
Investment Income	24.7	19.7	18.1	-6.6	-26.8%
Transit Revenues	11.6	11.2	8.5	-3.1	-27.1%
Total	\$ 568.7	\$ 554.1	\$ 543.2	\$ (25.5)	-4.5%

Expenses	FY2009	FY2010	FY2011	Difference 2011 vs 2009	
				\$	%
Salaries and related benefits	\$ 25.4	\$ 21.3	\$ 20.9	-4.5	-17.8%
Operations & Maintenance	99.4	72.8	59.9	-39.5	-39.7%
Int. Transportation System	102.7	69.0	79.8	-22.9	-22.3%
Other	91.7	98.5	100.7	9.0	9.8%
Total	\$ 319.3	\$ 261.6	\$ 261.3	\$ (58.0)	-18.2%

Financial Situation

Following the P3, debt service coverage improved

- HTA used the up-front payment from the P3 to tender and defease \$873.1 million of outstanding bonds (representing 14.8% of its total portfolio at that time)
- On average, debt service decreased by approximately \$76.0 million per year through FY 2022



Source: HTA Information Statement dated August 18, 2011
 Note: Pledged Revenues beyond FY 2016 assume 0% growth; Pre-P3 Debt Service Coverage includes PR-22 and PR-5 revenues, with the assumption that they grow at the average growth rate of the revenues for the remaining toll roads from FY 2012 through 2016

- Given the gross revenue pledge, the net result of the P3 transaction is higher coverage of outstanding obligations
- The concession agreement requires that the operating expenses and rehabilitation of PR-22 and PR-5 will be paid by the concessionaire

Financial Situation

Strong debt service coverage on both 1968 and 1998 Bond Resolutions

Debt Service Coverage Calculation

(in \$ thousands)	FY 2011	FY 2012 Projected*
1968 Resolution:		
Total 1968 Pledged Revenues	408.3	304.3
Total Adjusted 1968 Res. Debt Service	132.4	72.6
1968 Res. Debt Service Coverage	3.08x	4.19x
1998 Resolution:		
Total 1998 Pledged Revenues	402.3	356.8
Total Adjusted 1968 Res. (Snr) Debt Service	259.6	226.2
1998 Res. (Snr) Debt Service Coverage	1.55x	1.58x
Total Adjusted 1998 Res. (Snr+Sub) Debt Service	290.0	255.2
1998 Res. (Snr+Sub) Debt Service Coverage	1.39x	1.40x

* Preliminary, subject to change

Current Ratings (S&P / Moody's)

Highway Revenue Bonds
BBB+ / A3

Sr. Transportation Revenue Bonds
BBB / Baa1

Sub. Transportation Revenue Bonds
BBB- / Baa2

Agenda

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Concluding Remarks

HTA, in conjunction with the GDB, has developed a plan to return to operating self-sufficiency

1

Complete the P3

Completed

- HTA recently completed a \$1.4 billion P3 concession that transferred PR-22 and PR-5 to private operation for 40 years
- Under the terms of the P3, the Concessionaire will finance, repair, operate and maintain the roads, and HTA forgoes associated operating revenues and expenses
- In conjunction with the P3, HTA defeased \$873.1 million of related indebtedness with the up-front payment received from the Concessionaire
- On average, debt service decreased by approximately \$76.0 million per year through FY 2022

2

Create the 2012 Resolution

- With the proceeds from the Series 2012 bonds, HTA restores a significant amount of liquidity to GDB
- Provides HTA with “runway” to address current financial challenges
- Additionally, the 2012 Resolution includes provisions which clarify and strengthen GDB’s fiscal oversight of HTA

3

Transformation of business model

- Reorganization of transit components (Integrated Transportation Authority (“ATI”), Metropolitan Bus Authority (“AMA” for its Spanish acronym), Maritime Transportation Authority (“ATM”))
- Restructuring of governance - implementation of a new Board of Directors
- Review of revenue streams and expenses

Concluding Remarks



The highway and integrated transportation systems are essential to the economic well-being of Puerto Rico



Diversified source of revenues



Bondholders benefit from a gross revenue pledge



Adequate debt service coverage before and after P3 concession



Successful implementation of expense reduction initiative



CIP refocused on strengthening the strategic network and based on realistic funding availability



Partnering with private sector to help achieve fiscal balance and a world class road system

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