

TESTIMONY OF JORGE FIGUEREDO, PH.D.
EXECUTIVE DIRECTOR, NORTH TEXAS TOLLWAY AUTHORITY
CDA LEGISLATIVE STUDY COMMITTEE
TUESDAY, AUGUST 12, 2008

Good morning, Chairman Carona and Members of the Committee. My name is Jorge Figueredo, Executive Director of the North Texas Tollway Authority (NTTA).

As Chairman Wageman articulated to you in his remarks, the NTTA has CDA authority through SB 792 passed this past legislative session.

Historically, the NTTA has financed its roads through system financing, whereby revenues collected go back into the system to be leveraged to build other projects. This model has allowed for local revenues collected to stay in North Texas. We believe that projects that are not financially strong or pose other risks to their delivery, are in fact, projects that should be viewed as candidates for private sector participation - either through a traditional CDA approach or through a more sophisticated blending of public and private sector roles.

When developing a project finance plan the NTTA considers utilizing traditional municipal financing, private financing or a combination thereof. Our mission is to improve regional mobility and we need both methods to keep North Texas moving.

When financing a project, our primary objective is to provide the most cost efficient financing in a manner that preserves the NTTA's capacity to finance future projects while protecting the credit rating of the NTTA's system debt.

The private sector, through CDAs is one approach. TxDOT in recent years has used CDAs to share the risks and opportunities of a project. As stated earlier, there is a time and a place for CDAs in delivering toll projects, but their use should be carefully evaluated.

It is a fallacy that the private sector will throw money at any project. The private sector is just as vulnerable to market conditions as the tolling authorities and they cannot sustain a working business model if they overpay for a project. CDAs can't take the loser projects as a whole – just as the NTTA can't. They too must make a return on their investment.

Any toll project development process that is developed – be it a modification of market valuation or another new process – cannot be pre-dispositioned to be a CDA model. The proposing entity needs to be able to deliver the project using its strengths. There is a hybrid approach – blending the strengths of the public and private sectors. We believe that CDAs are powerful tools for project financing and delivery, but we also believe that “one size does not fit all.” A hybrid approach would leverage the strengths of the public and private sectors to result in a stronger project finance and delivery plan.

The NTTA is about partnerships and delivering projects. We continue to look at multiple alternatives to project financing outside of the traditional system financing. That includes looking at CDAs or some hybrid of public-private sector modeling. Our staff is

currently in then process of reviewing the regional identified toll projects in the 2030 plan, and we are working with our partners at all levels to determine the best means for advancing those projects.

Thank you for your time and I am happy to take any questions.