

PUERTO RICO
CREDIT
CONFERENCE
— 2010 —

—A YEAR INTO THE—
ECONOMIC & FISCAL
RECONSTRUCTION

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Puerto Rico Highways and Transportation Authority

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Introduction

- **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

- **Management Initiatives Targeting Restoration of Fiscal Balance**
 - Authority has scaled back its capital spending to align it with available resources
 - Successful implementation of expense efficiencies, as seen in FY2009 and first semester of FY2010



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Overview of the Authority

■ Mission

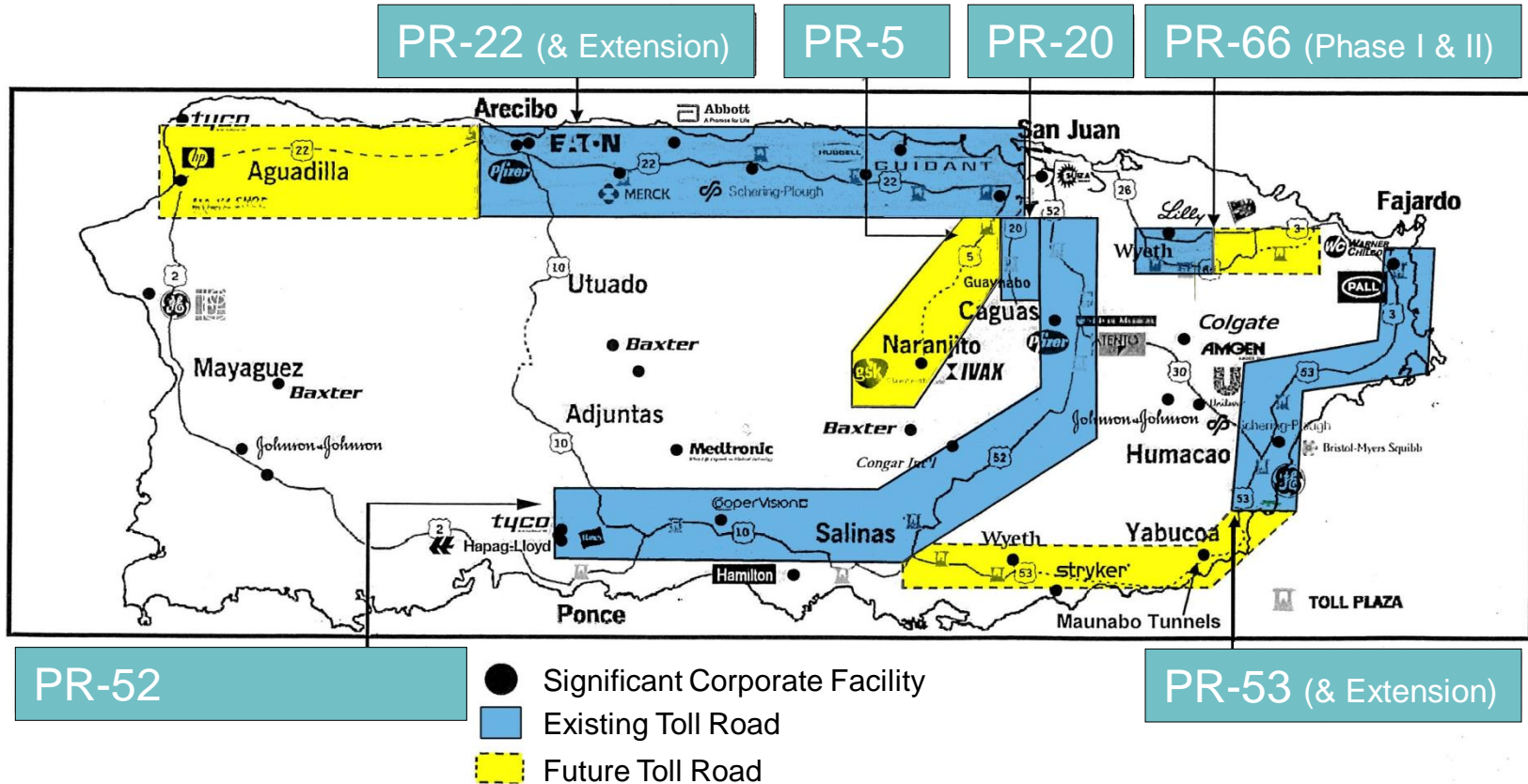
- Provide the people of Puerto Rico with the best roads and means of transportation
- Expedite the movement of people and goods
- Relieve congestion on interstate roads
- Assist in the continued economic development and growth of Puerto Rico

■ Key Responsibilities

- Comprehensive responsibilities include planning, design, land acquisition, construction and major reconstruction of island-wide highway system
- Authority operates and maintains 174 miles of toll roads plus 33 miles of connecting roads and free expressways, and the Tren Urbano
- Operation of bus service in San Juan metropolitan area through private operators



Strategic Network with Few Competing Alternatives



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



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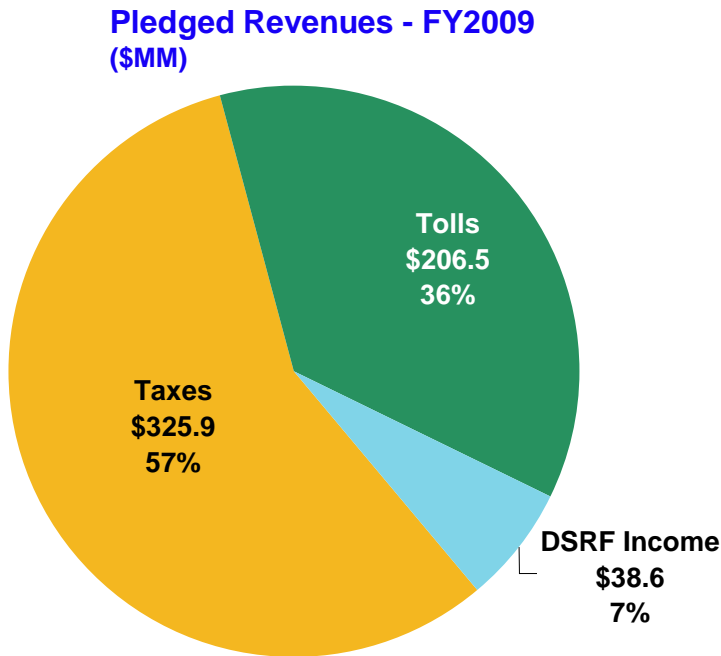
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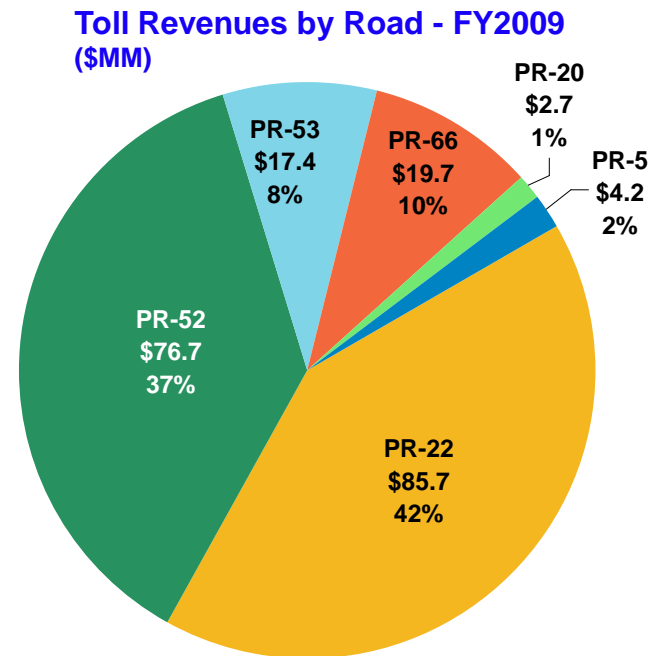
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Large and Diverse Revenue Base



Total = \$571.0 Million*



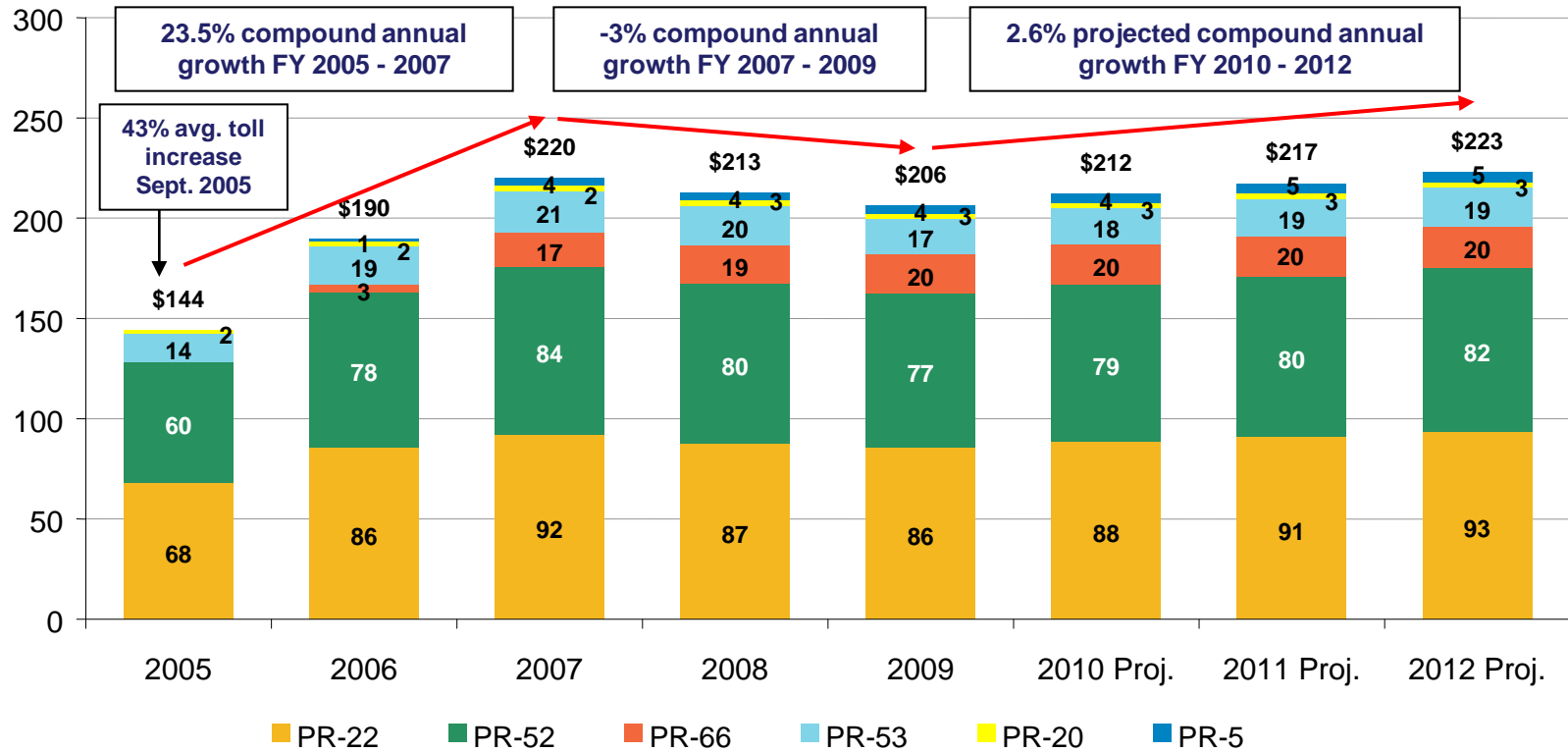
Total = \$206.5 Million*

- Authority's revenues are diverse, including tolls generated on the island-wide system, petroleum products taxes, motor vehicle license fees and taxes on diesel and fuel oil



Toll Revenues Increased by 2.7% During First Semester of FY2010

Toll Revenues: Actual FY2005 – 2009 & Projected FY2010 – 2012 (\$MM)



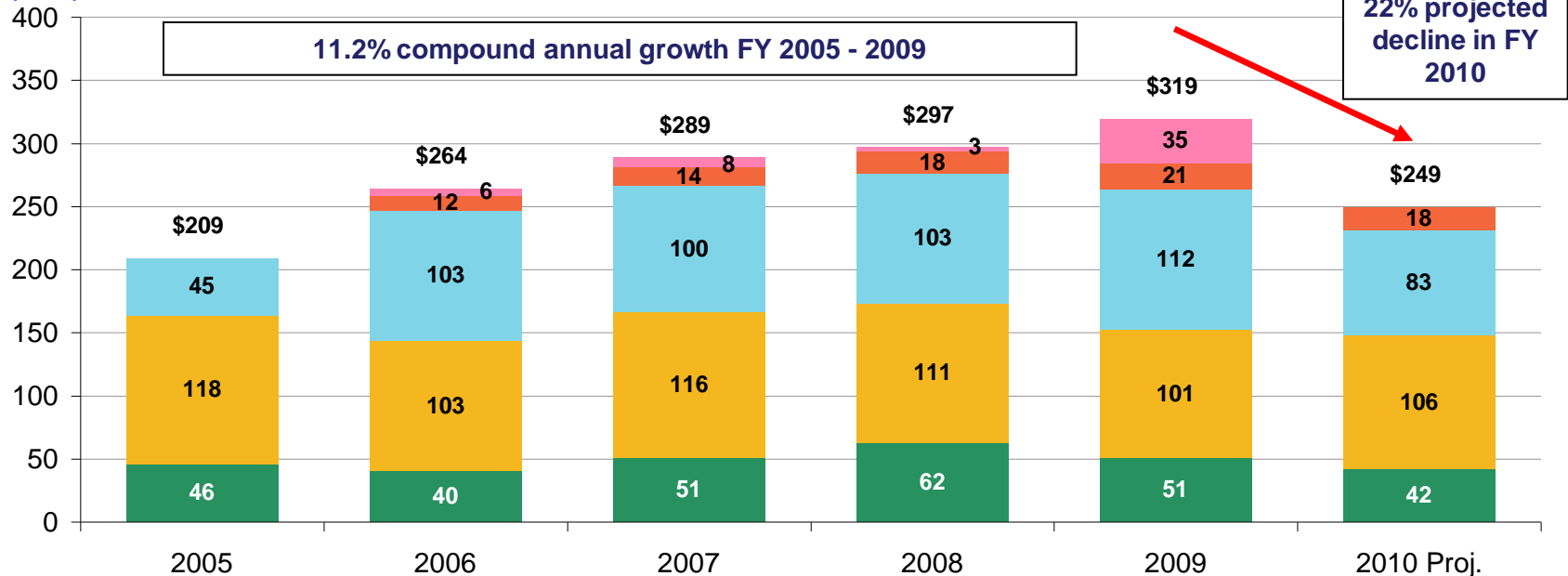
- Toll road usage in Puerto Rico has been modestly affected by the recession; of the \$14 million decline during FY2009 and FY2008, \$2 million is due to the 5-cent toll reduction in electronic toll lanes
- Revenues from toll facilities opened in 2006 (PR-66 and PR-5) have grown steadily and represented 11.6% of total revenues in FY2009



Full Effect of Expense Reduction Initiatives Will be Seen in FY2010 (22% Reduction)

Operating and Capitalized Expenses: Actual FY2005 – 2009 & Projected FY2010

(\$MM)



■ Operations & Maintenance ■ Capitalized Expenses ■ ATI (Tren Urbano and Metrobus) ■ Electronic Tolling ■ Other

- Expense increases from FY2005 – 2009 were primarily due to Tren Urbano and Autoexpreso; excluding ATI and Electronic Tolling
- FY2009 Other expenses are a one-time expense related to a lawsuit (\$35 million accrued legal claims); excluding other expenses, total operating and capitalized expenses declined by 3% in FY2009
- Actual expenses for the first semester of FY2010 are in line with projections



FY2010 Expense Reduction Driven by Successful Implementation of Initiatives During FY2009

- Expense efficiency initiatives implemented during second semester of FY2009
 - Cancellation of professional services contracts completed on June 30, 2009
 - Elimination of vacant positions, reduced “trust” positions by 30% and substantially reduced overtime
 - Amendments to service contract of the Tren Urbano
 - Reduction of approximately \$21 million in O&M and capitalized expenses in FY2009

- Total operating and capitalized expenses for FY2010 are projected at approximately \$249 million, a 22% decrease from FY2009
 - Full effect of expense reductions implemented during FY2009 will be reflected in FY2010
 - Further management initiatives are under way to achieve other substantial expense reductions in FY 2010



Results of First Semester of Fiscal Year 2010 (Net Improvement of \$11.9 Million)

Revenues

(\$MM)	FY 2009	FY 2010	Difference	
	Jul - Dec	Jul - Dec	\$	%
Gasoline	87.6	87.8	0.2	0.2%
Diesel Oil	8.7	5.9	-2.8	-32.4%
Vehicle License Fees	15.5	14.8	-0.7	-4.6%
Toll Roads	103.0	105.8	2.8	2.7%
Petroleum Tax	50.8	47.9	-2.9	-5.7%
Interest Earned	20.4	19.5	-1.0	-4.7%
Train Fares	5.5	5.6	0.0	0.9%
Impact Fees & Other	6.9	2.2	-4.6	-67.4%
Total	298.4	289.4	-9.0	-3.0%

- Total revenues experienced modest decline of 3% during the first semester of FY2010 as compared to the same period of FY2009
- Decline in revenues was more than offset by a reduction in expenses

Operating & Capitalized Expenses

(\$MM)	FY 2009	FY 2010	Difference	
	Jul - Dec	Jul - Dec	\$	%
Toll Road O&M	26.0	19.7	-6.4	-24.5%
Capitalized Expenses	52.7	43.8	-8.9	-16.9%
ATI	44.6	45.0	0.5	1.0%
ATM	0.2	0.0	-0.2	-100.0%
Electronic Tolling	6.9	3.2	-3.7	-53.8%
Other	11.4	9.4	-2.1	-18.0%
Total	141.9	121.0	-20.8	-14.7%

- Substantial reduction of almost 15% in capitalized and operating expenses achieved during first six months of FY2010 as compared to the same period of FY2009



The Authority Continues to Maintain Adequate Debt Service Coverage Levels for Bondholders

Current Ratings (S&P / Moody's):

Highway Revenue Bonds
BBB+ / Baa2

Sr. Transportation Revenue Bonds
BBB / Baa3

Sub. Transportation Revenue Bonds
BBB- / Baa3

(\$MM)	FY2007	FY2008	FY2009	Proj. FY2010
1968 Resolution				
Toll Revenues	202.9	193.5	186.8	188.9
Gas Tax, Diesel and Gas Oil Tax, License Fees	231.2	226.8	224.6	220.9
Investment Income	9.6	8.5	7.7	7.8
1968 Resolution Pledged Revenues	443.7	428.8	419.0	417.6
1968 Resolution Debt Service	124.9	129.0	129.9	136.9
1968 Resolution Coverage Ratio	3.6x	3.3x	3.2x	3.1x
1998 Resolution				
Excess 1968 Resolution Revenues	318.7	299.7	289.1	280.7
Petroleum Products Tax	102.8	99.0	101.3	100.3
PR-66 Tolls	17.1	19.2	19.7	20.4
Investment Income	14.2	18.8	16.1	21.7
1998 Resolution Pledged Revenues	452.8	436.8	426.2	423.1
1998 Resolution Senior Debt Service	206.4	227.0	242.7	269.9
1998 Resolution Senior Coverage Ratio	2.2x	1.9x	1.8x	1.6x
1998 Resolution Subordinate Debt Service	28.3	30.4	30.3	30.3
Debt Service on Interim Financing	13.7	16.0	25.7	21.3
1998 Resolution Senior & Sub Coverage Ratio	1.8x	1.6x	1.4x	1.3x



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Management Initiatives That Have Been Implemented to Ensure Fiscal Balance

- Cancel or postpone contracts in the capital plan that are in the design or planning stages and are funded by local funds
 - Reduces future bond issuance
 - Projects could be completed in the future, depending on available funding
- Maximize federal funds by amending existing laws
 - By complying with federal laws on drinking age, open containers, repeat offenders, and suspended licenses would increase federal funding
 - Law 192 (reduced blood alcohol level allowed for minors from .08% to .02%) was approved on December 22, 2009 and resulted in additional \$11.5 million of federal funds received annually, which increase the Authority's capital improvement program by up to \$14.4 million
 - Open containers law is currently under legislative review (\$3.4 million of federal funds)
- Annual reduction of \$13.5 million in ATI expenses beginning in FY2010 due to modifications to the Tren Urbano management contract



Management Initiatives in Process of Implementation

- Organizational restructuring completed by December 31, 2009 represents savings of \$7.5 million per year
 - Additional measures are in process of implementation

- Reduce toll leakage
 - Modernizing tolling equipment to reduce toll leakage should result in ~\$15 - 20 million in savings per year
 - Successful implementation of “Autoexpreso” has reduced congestion and improved service; 40% of all toll transactions are now collected electronically

- Metrobus II – Authority is evaluating alternatives under Law 148 with a decision expected by June 2010
 - Participation of private sector to take over existing and new bus routes that will reduce operations and maintenance expenses

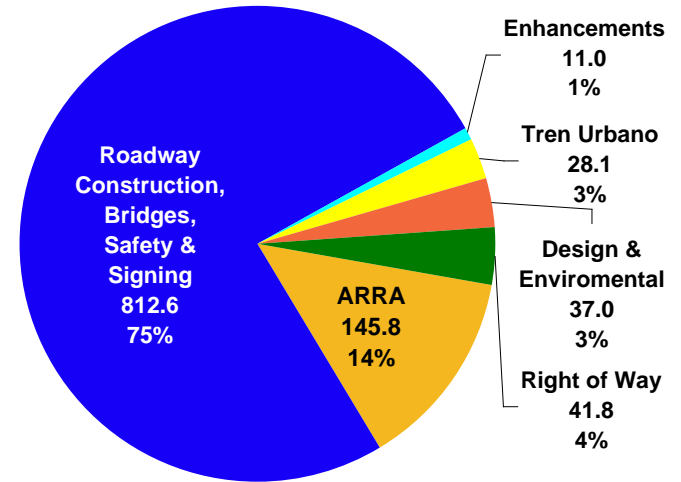


Capital Improvement Program Designed to Optimize Use of Available Funds

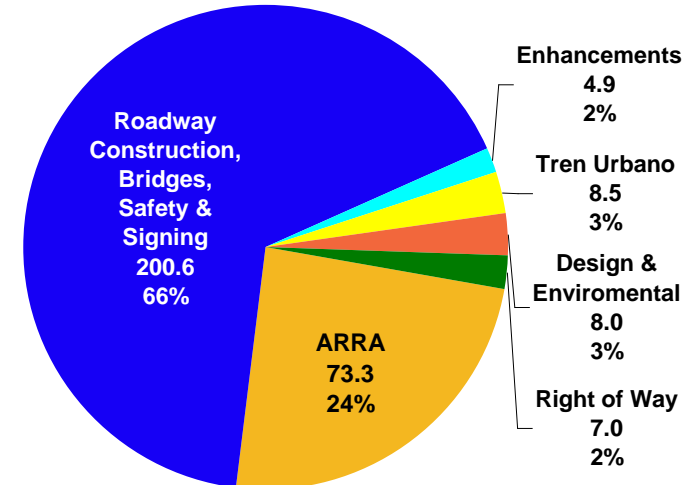
- Improvements to Project Delivery
 - Value-engineering reviews help to reduce project costs
 - Minimizing change orders: Construction contracts awarded only after all right-of-ways have been obtained. Helps reduce time impact claims
 - Better up-front utility coordination, particularly with PREPA, avoids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

- CIP has been adjusted downward reflecting reduced availability of revenues for capital purposes
 - Current 5 year plan is approximately \$1.1 billion and focuses on optimal CIP investments
 - Approximately \$300 million in investments are scheduled for FY2010
 - More manageable project list with 60 projects pared down from over 95 projects previously

FY 2010-14 CIP Investments (\$MM)



FY 2010 CIP Investments (\$MM)





The Authority was Highly Ranked by FHWA for Its Management of ARRA Funds

- Federal Highway Administration (FHWA)
 - The Authority has identified 22 projects to be funded by ARRA funds
 - 15 projects are under construction, 6 are in bidding process, and one is in design phase
 - \$5.9 million in ARRA funds have been spent through January 2010
- Federal Transportation Authority (FTA)
 - \$40.8 million in ARRA funds for Authority’s transportation projects

Projects Funded by ARRA

(\$MM)	Type	Est. Cost	Local Match	Bid Released
Islandwide Pavement Rehabilitation ¹	FHWA	55.4	0.8	42.1
Mayaguez West Bypass PR-102, Stage 3	FHWA	15.5	1.4	15.5
Replacement of Bridge No. 763, PR-2, Aguadilla	FHWA	7.4	0.1	7.4
Conversion to Expressway PR-2, Stage 6, Phase II, Ponce	FHWA	25.7	0.0	25.7
Landslide Correction, Highway PR-173 Cidra	FHWA	0.4	0.0	0.4
Bearing Repairs Bridge No. 1875, Martinez Nadal Expressway, PR-20, Guaynabo	FHWA	0.6	0.0	0.6
Environmentally Friendly Bus Acquisition for MBA	FTA	22.5	n/a	n/a
Environmentally Friendly Bus Acquisition for Tren Urbano Feeder System	FTA	2.6	n/a	n/a
Operating Assistance for Tren Urbano	FTA	1.2	n/a	n/a
Power Saving, Ticket Vending Improvements and Security Cameras for Tren Urbano	FTA	2.0	n/a	n/a
Preventive Maintenance for Tren Urbano	FTA	2.2	n/a	n/a
Purchase of Buses for Metrobus I, Metrobus II and Metrobus Express	FTA	6.0	n/a	n/a
Municipal Transit Projects	FTA	4.3	n/a	n/a
Total		145.8	2.3	91.8

¹The project that is in design phase is included under Estimated Cost but not under Bid Released.



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Strategic Initiatives

- Public-Private Partnerships
 - Concessions of PR-22, PR-52 and PR-66 toll roads
 - Brownfield and greenfield opportunities
 - Debt reduction

- Surface Transportation Infrastructure
 - Bus rapid transit (BRT)
 - San Juan light rail system



PR-22 José de Diego Highway

- **Objective**
 - Establish a long-term concession agreement for PR-22 (José de Diego Highway)
 - A concession may provide more efficient operations while expanding capacity for capital improvements
 - The Authority has the long-term objective of completing a high-capacity comprehensive beltway around Puerto Rico
- **Background**
 - PR-22 is Puerto Rico's most traveled highway, representing 41% of HTA toll revenues
 - It spans 52 miles (83.7 kilometers) from east to west in northern Puerto Rico
 - Consists of one continuous route from the City of San Juan to the city of Arecibo, serving 12 municipalities with an estimated population base of 1.2 million
 - Runs through a prominent pharmaceutical and manufacturing corridor
 - Some areas of this highway see average annual daily traffic in excess of 200,000



PR-52 Luis A. Ferré Highway

- Objective
 - Establish a long-term concession agreement for PR-52 (Luis A. Ferré Highway)
- Background
 - PR-52 is Puerto Rico's longest toll road, representing 37% of HTA toll revenues
 - It spans 67 miles (108 kilometers) from northeast to southwest in Puerto Rico
 - Consists of one continuous route from the City of San Juan (metro population of 2.4 million) to the city of Ponce, the second largest city in Puerto Rico
 - Quasi monopoly route running North to South due to lack of alternative routes
 - Contains 9 toll plazas and ramps, including Caguas Norte toll plaza, currently the highest tolled and highest revenue making toll plaza in the system
 - PR-52 serves 15 municipalities with an estimated population base of 1.2 million



PR-66 Roberto Sánchez Vilella Expressway

- Objective
 - Establish a hybrid long-term concession agreement that integrates the brownfield and greenfield components
 - Better serve economic activity in the eastern region
 - Facilitate connectivity to southeastern part of the Island
- Background
 - The only expressway to the eastern region of the Island
 - Has the widest bridges in Puerto Rico
 - Runs parallel to PR-3, which suffers traffic lights and congestion
 - Saves between 25 minutes to 1 hour of travel time relative to PR-3



Surface Transportation Infrastructure

- Improving surface transportation will lead to increased economic development by:
 - Reducing congestion and improving travel times and mobility
 - Enhancing access to currently underserved areas
 - Promoting new development and redevelopment of areas near mass transit network
- BRT Bayamón / Toa Baja
 - Estimated cost: \$50 million; Phase: Design
- BRT San Juan / Caguas
 - Estimated cost: \$365 million; Phase: Design
- BRT San Juan / Carolina
 - Estimated cost: \$400 million; Phase: Planning
- San Juan Light Rail System
 - Estimated cost: \$365 million; Phase: Planning



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Concluding Remarks

- The highway and transportation system is essential to the economic well-being of Puerto Rico
- Diversified sources of revenues
 - Authority's revenues are a strong mix of gasoline taxes, petroleum taxes, vehicle license fees and toll revenues from island-wide system of roads
 - Bondholders benefit from a gross revenue pledge
- Adequate debt service coverage
- Successful implementation of expense reduction initiatives
 - 14.7% decrease during 1st semester of FY2010 vs. FY2009
- CIP refocused on strengthening the strategic network
- Selected major projects are under way to strengthen network and partner with private sector to help achieve fiscal balance and a better road system



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