

Chapter 5: Selection Process

This chapter describes the TIFIA project evaluation and selection process. After submission of the application, the major steps in that process include: an oral presentation of the project by the applicant to DOT; DOT's review of the application, including an in-depth analysis of the proposed project and financial plan, which review may include scoring the project; and DOT's determination regarding credit assistance and notification of the decision to applicant.

Section 5-1

Project Evaluation

Initial Submission of the Letter of Interest

As described in Chapter 4, each potential applicant must first submit a Letter of Interest. A DOT evaluation team will review each letter to ensure that the project satisfies the basic requirements for TIFIA eligibility and statutory evaluation criteria. Depending on the modal characteristics of the project, the DOT may establish an evaluation team representing several offices and agencies (*e.g.*, FHWA, FRA, FTA, MARAD, OST) to conduct the review.

Project Assessment

The DOT will compete projects based on the Letters of Interest submitted within each application cycle. The evaluation team will assess the strengths of the application according to the eight selection criteria specified under 23 U.S.C. §602(b)(2). The DOT has assigned specific weights to the selection criteria, as follows:

- (i) Significance (20 percent): The extent to which the project is nationally or regionally significant, in terms of generating economic benefits, supporting international commerce, or otherwise enhancing the national transportation system. This includes consideration of livability: providing transportation options that are linked with housing and commercial development to improve the economic opportunities and quality of life for people in communities across the U.S.; economic competitiveness: contributing to the economic competitiveness of the U.S. by improving the long-term efficiency and reliability in the movement of people and goods; and safety: improving the safety of U.S. transportation facilities and systems and the communities and populations they impact.
- (ii) Private Participation (20 percent): The extent to which assistance would foster innovative public-private partnerships and attract private debt or equity investment.
- (iii) Environment (20 percent): The extent to which the project helps maintain or protect the environment. This includes sustainability: improving energy efficiency, reducing dependence on oil, reducing greenhouse gas emissions, and reducing other transportation-related impacts on ecosystems, including the use of tolling or pricing structures to reduce or manage high levels of

congestion on highway facilities and encourage the use of alternative transportation options; and the state of good repair: improving the condition of existing transportation facilities and systems, with particular emphasis on projects that minimize lifecycle costs and use environmentally sustainable practices and materials.

- (iv) Project Acceleration (12.5 percent): The likelihood that assistance would enable the project to proceed at an earlier date than the project would otherwise be able to proceed.
- (v) Creditworthiness (12.5 percent): The creditworthiness of the project, including a determination by the Secretary that any financing for the project has appropriate security features, such as a rate covenant, to ensure repayment.
- (vi) Use of Technology (5 percent): The extent to which the project uses new technologies, including intelligent transportation systems that enhance the efficiency of the project.
- (vii) Consumption of Budget Authority (5 percent): The amount of budget authority consumed in funding the requested Federal credit instrument.
- (viii) Reduced Federal Grant Assistance (5 percent): The extent to which assistance would reduce the contribution of Federal grant assistance to the project.

When evaluating the Letters of Interest, the information needed to address criterion (iv), creditworthiness, and criterion (vii), budget authority, is unlikely to be available in sufficient detail. Therefore, the DOT will not employ these two criteria when reviewing the Letters of Interest. However, the DOT will consider these criteria when reviewing project applications. Appendix E provides guidelines that the DOT currently considers in evaluating TIFIA Letters of Interest and applications according to the criteria.

Upon completion of the project assessment, the DOT evaluation team will develop an overall score for the project and will invite complete applications (including the preliminary rating opinion letter and detailed plan of finance) for the selected projects. The application due date will be established after consultation between the TIFIA JPO and the applicant.

Screening of Application

The evaluation team screens the application for completeness of information, satisfaction of the threshold requirements described in Chapter 3, as well as for project readiness. The DOT typically employs the services of an expert financial advisor to assist with financial and credit risk assessments of the project.

Upon receipt of the application, the DOT will review it with respect to a variety of major factors, including:

- Project Cost. The reasonably anticipated eligible project costs must total at least \$50 million or at least one-third of the state's Federal-aid highway apportionments for the most recently completed fiscal year (whichever is less). If the project principally

involves the installation of an Intelligent Transportation System, it must cost at least \$15 million.

- **Rating Opinion.** The application must include at least one preliminary rating opinion letter from a nationally recognized credit rating agency. This preliminary assessment of the project's proposed financing structure must indicate that the senior obligations funding the project have the potential to receive an investment grade rating.⁴ The DOT will not consider projects that do not demonstrate the potential for the obligations senior to TIFIA to receive an investment grade rating. The letter also should provide a preliminary assessment of the likely rating category for the requested TIFIA instrument. In addition, the letter should provide a preliminary rating assessment of the financial strength of the overall project and the default risk (*i.e.*, without regard to recovery potential) of the requested TIFIA instrument.
- **Planning Requirements.** The project must be consistent with the Federally-required long-range transportation plan and must be included in the transportation improvement program.
- **Credit Assistance Request.** The total amount of requested TIFIA credit assistance must not exceed 33 percent of reasonably anticipated eligible project costs as discussed in Chapter 3.
- **Repayment Source.** Both project debt generally and TIFIA debt specifically must be repaid in whole or in part by a dedicated revenue source as discussed in Chapter 3. The DOT will require that revenues pledged to the TIFIA obligation be, except for lien position, of substantially similar credit quality to those securing the senior debt.
- **Environmental Review.** The applicant must have circulated a Draft EIS, unless the project has received either a FONSI or a Categorical Exclusion. The DOT will not obligate funds for a project before a ROD (if required, or the equivalent final agency decision) has been issued for that project.
- **TIFIA Compliance Certifications.** The applicant must certify compliance with 23 U.S.C. or relevant provisions of 49 U.S.C., as applicable. Also, the applicant must certify compliance with the National Environmental Policy Act of 1969, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and Title VI of the Civil Rights Act of 1964.
- **Other Compliance Issues.** The applicant must certify compliance with other application requirements shared by all Federal credit programs, such as no delinquency or default on any Federal debt or debarment from participation in any Federal programs. In addition, the applicant must provide a comprehensive project management and monitoring

⁴ If there are no debt obligations senior to the TIFIA credit instrument, then the TIFIA credit instrument itself must be shown to have the potential to obtain an investment grade rating.

proposal that will assure the DOT of the applicant's ongoing compliance with all applicable Federal laws and regulations.

Oral Presentation

Following successful completion of the application screening process, the DOT will invite the applicant to make an oral presentation followed by a question and answer session. In addition to the DOT evaluation team and financial advisor, other officials, including members of the DOT Credit Council, may attend the presentation. This presentation is intended to clarify the applicant's proposed development plans for the project, including the financing structure, and to resolve other issues relating to the application. The structure and content of the presentation will be discussed with each applicant at the time of the invitation. At the presentation, the DOT may require the applicant to provide additional information, including clarifications regarding cash flows, sources and uses, or other issues.

Project Review

Because the applicant already demonstrated the project's ability to meet six of the eight statutory selection criteria at the Letter of Interest stage, the DOT will focus primarily on creditworthiness and consumption of budget authority at the application stage. However, all eight selection criteria specified above will be reassessed concurrent with the preliminary calculation of the project's subsidy cost.

Based on the financial information presented in the application and presentation (and any supplemental materials), the DOT will estimate the subsidy cost for the proposed credit assistance. This preliminary subsidy calculation, reflecting the DOT's estimated credit risk, will determine the amount of TIFIA budget authority the project would consume if selected for credit assistance.

Section 5-2

Project Recommendations

Upon completion of the project assessment described above, the DOT evaluation team will reassess the overall score for the project as a guide for determining whether to recommend an award of credit assistance.

Based on work of the evaluation team, the TIFIA staff will prepare a recommendation regarding TIFIA credit assistance and present it to the DOT Credit Council.

Section 5-3

Project Selection

The DOT Credit Council provides recommendations to the Secretary of Transportation, who will make the final determination regarding award of TIFIA assistance. Following a favorable decision and applicant notification, the TIFIA JPO will prepare a term sheet for execution with the applicant. While the term sheet demonstrates DOT's commitment to fund the project, the decision to provide financing does not mean that the DOT agrees with all

specific terms in the application. The term sheet is subject in all respects to the execution of a credit agreement on acceptable terms and conditions. Once negotiations are completed, the parties will execute a definitive credit agreement and close the transaction. These contractual documents are described in Chapter 6.

Section 5-4

Summary of the TIFIA Selection Process

Exhibit 5-A provides a summary of the TIFIA application and selection processes addressed in Chapters 4 and 5.

Exhibit 5-A: The TIFIA Selection Process

Action	Responsible Party
<p>Solicitation for Applications</p> <ul style="list-style-type: none"> • Submit NOFA to Federal Register. 	<ul style="list-style-type: none"> • DOT
<p>Initial Submission - Letter of Interest:</p> <ul style="list-style-type: none"> • Prepare the Letter of Interest and submit it to the DOT. 	<ul style="list-style-type: none"> • Applicant
<p>Project Assessment:</p> <ul style="list-style-type: none"> • Establish an evaluation team to review the project. • Determine whether the prospective project meets basic eligibility requirements and statutory selection criteria. • Score the project according to each of the relevant selection criteria. • Notify selected projects that have been invited to submit an application. • Answer questions relating to the application, as needed. 	<ul style="list-style-type: none"> • DOT • DOT • DOT • DOT • DOT and Applicant
<p>Application:</p> <ul style="list-style-type: none"> • Prepare and submit the application (with the appropriate number of copies) along with the application fee. • Review the application and, if it passes the initial screening for completeness and compliance, invite the applicant to make an oral presentation. 	<ul style="list-style-type: none"> • Applicant • DOT
<p>Oral Presentation:</p> <ul style="list-style-type: none"> • Present the proposal to the evaluation team and financial advisor, as well as representatives of the TIFIA JPO and the DOT Credit Council. 	<ul style="list-style-type: none"> • Applicant
<p>Project Review:</p> <ul style="list-style-type: none"> • Based on the written application and oral presentation, reassess the project with respect to the eight selection criteria, with particular focus on creditworthiness and consumption of budget authority. • Calculate the credit subsidy cost estimate. 	<ul style="list-style-type: none"> • DOT • DOT
<p>Recommendations for DOT Credit Council and DOT Secretary:</p> <ul style="list-style-type: none"> • Prepare and present a recommendation for each project to the DOT Credit Council. • Review, approve, or revise respective recommendation and forward to the DOT Secretary for final decision on approval. 	<ul style="list-style-type: none"> • DOT • DOT Credit Council
<p>Approval and Notifications:</p> <ul style="list-style-type: none"> • Approve project, as appropriate, and authorize the issuance of a term sheet and the subsequent negotiation of a credit agreement. • Advise applicant of DOT Secretary's determination. 	<ul style="list-style-type: none"> • DOT Secretary • DOT