

# Summary of the Border Infrastructure Finance Workshop

January 20-21, 2016  
San Diego, California

**April 2016**

DOT-VNTSC-FHWA-16-16  
FHWA-HEP-16-041

Prepared for:  
**Office of Planning**  
**Federal Highway Administration**  
**U.S. Department of Transportation**



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

## Notice

This document is disseminated under the sponsorship of the Department of Transportation in the interest of information exchange. The United States Government assumes no liability for the contents or use thereof.

The United States Government does not endorse products or manufacturers. Trade or manufacturers' names appear herein solely because they are considered essential to the objective of this report.

---

# Workshop Overview

On January 20-21, 2016, the U.S.-Mexico Joint Working Committee for Transportation Planning (JWC) led by the Federal Highway Administration (FHWA) and the Secretariat of Communications and Transportation (SCT), sponsored a workshop on Border Infrastructure Finance. The workshop was hosted at the California Department of Transportation (Caltrans) District 11 office in San Diego, California. More than 100 stakeholders participated in the workshop.

The presentations given at the workshop are available upon request from FHWA. To obtain copies, contact Sylvia Grijalva, U.S.-Mexico Border Coordinator, at [Sylvia.Grijalva@dot.gov](mailto:Sylvia.Grijalva@dot.gov).

## 1. Purpose and Introductions

Laurie Berman (Caltrans District Director) welcomed workshop participants and provided opening remarks. After Ms. Berman's comments, the workshop moderators, Rick Backlund (FHWA California Division) and Carlos Bussey Sarmiento (SCT), gave an overview of the agenda and workshop purpose.

## 2. U.S. Funding Sources and Mechanisms

### ***General Services Administration (GSA) Capital Project Funding***

Cecil Scroggins (GSA - Region 6) provided a briefing on GSA Capital Project Funding. The presentation included an overview of GSA's traditional and alternative methods for planning and funding border projects. Traditional planning includes five year plans of strategic needs, budget requests, and authorizations and appropriations. Supplemental methods include border master plans and donations acceptance. Questions focused on how GSA prioritizes projects for inclusion in its budget requests and the how GSA uses border master plans.

### ***U.S. Department of Transportation (DOT) Financing Programs***

Michael Bouril (U.S. DOT- Office of the Secretary) briefed the group on the U.S. DOT's three primary financing programs: Transportation Infrastructure Finance and Innovation Act (TIFIA), Railroad Rehabilitation and Improvement Financing (RRIF), and Private Activity Bonds (PAB). TIFIA provides long-term credit assistance for qualified projects. Under the Fixing America's Surface Transportation (FAST) Act, transit-oriented development and State Infrastructure Banks are now eligible for TIFIA. RRIF provides loans and loan guarantees for railroad infrastructure. Compared with TIFIA, RRIF has higher borrower costs due to a credit risk premium. PABs offer private entities the ability to issue tax-free debt to spend on qualified projects, including highway or surface freight transfer facilities and international bridges/tunnels. Questions for Mr. Bouril focused on TIFIA and PAB eligibility requirements.

### ***Customs and Border Protection (CBP) Alternative Funding Programs***

Ryan Flanagan (CBP) and Garrett Wright (CBP) gave a presentation on public-private partnerships offered by CBP. The presentation included an overview of the Reimbursable Services Program (RSP) and the Donations Acceptance Program (DAP). RSP, which began in 2013, allows private or public stakeholders to reimburse CBP for enhanced services—such as increased staffing—at ports of entry.

DAP, which began in 2014, allows CBP to accept donations of real property (e.g., land, new facilities, facilities improvements), personal property (e.g., equipment) and non-personal services (e.g., operations and maintenance). CPB can enter into agreements with non-U.S. entities; for example, CBP has an agreement with a Canadian rail company to provide enhanced services at a port in Seattle. Questions focused on how the RSP and DAP fit with other funding sources.

### ***Transportation Investment Generating Economic Recovery (TIGER) Grant Program***

Tiffany Julien (FHWA - Office of Freight Management and Operations) provided an overview of the U.S. DOT's TIGER grant program. First started in 2009, TIGER is a competitive grant program for nationally or regionally significant projects that result in publically accessible infrastructure. State, local, and tribal governments can apply, and TIGER funds generally go to grantees that traditionally receive limited federal-aid funding through other programs. Funding for the next round of TIGER (TIGER VIII) was included in the FAST Act. Examples of TIGER border projects include the Otay Mesa Port of Entry I-805/SR 905 interchange in California, the Black River Bridge Replacement in Michigan, the Niagara Falls International Rail Station in New York, and the Santa Teresa Border Plan in New Mexico. Questions for Ms. Julien focused on the eligibility of TIGER funds for specific uses.

## **3. Mexican Funding Sources and Mechanisms**

### ***Financing Transportation Infrastructure through Public-Private Partnerships***

Carlos Bussey Sarmiento (SCT) gave an overview of SCT's mechanisms for funding border projects. The Mexican government uses three main types of funding: traditional, concessions, and public-private partnerships. In comparison with the U.S., transportation planning and funding in Mexico is led more at the Federal level. A new public-private partnership law took effect in 2014, and Mr. Bussey anticipates that the transportation sector will enter into more public-private partnerships in the future, including those submitted through unsolicited proposals.

### ***Financing Update on Otay Mesa East***

Marney Cox (San Diego Association of Governments – SANDAG) and Michael Gomez (Barclays Capital) provided updates about financing for the Otay Mesa East port of entry project. Mr. Cox's presentation included information about the economic importance of border crossings. He also reported that SANDAG and SCT have completed an investment grade traffic and revenue study for Otay Mesa East. The study found that toll revenues are sufficient to cover capital costs, but not full operations costs. SANDAG proposes a second phase study to look at ways to improve operational efficiency. In his presentation, Mr. Gomez provided a private-sector perspective on financing for Otay Mesa East. One key question for lending institution, which the project team will investigate, is whether expenditures on the Mexican side of the border can be financed in U.S. capital markets.

### ***Secretariat of Finance and Public Credit (SHCP) Traditional Sources of Funding***

María de los Angeles González (SHCP) and Juan Jaime Molina (SHCP) presented on Mexico's traditional funding sources and mechanisms. The presentation included an overview of Mexico's overall investment strategy, the 2014-2018 National Infrastructure Program, and the typical infrastructure development cycle. In Mexico, sponsors of infrastructure projects must complete social profitability studies to show

that they will generate societal benefits. The presenters noted the importance of developing binational processes for jointly planning and financing border projects.

### ***The Role of Banobras and Fonadin in the Development of Infrastructure in Mexico***

Jorge Santiago (Banobras) and Irma Puente (Fonadin) briefed workshop participants on the role of Banobras and Fonadin in developing infrastructure in Mexico. Banobras is a federally-owned Mexican bank that provides market-rate financing for infrastructure projects, including public-private partnerships. Fonadin is a national infrastructure fund that was created by Banobras in 2008. The purpose of Fonadin is to catalyze projects with societal benefits but low financial returns by providing grants and subordinate loans. Banobras and Fonadin play different roles in infrastructure finance but complement one another.

### ***Aduanas Mechanisms for Financing Infrastructure***

José Muñoz Cota (Tax Administration Service - SAT) gave a presentation on how SAT funds border infrastructure projects through its *Fideicomiso del Programa de Mejoramiento de los Medios de Informática y de Control de las Autoridades Aduaneras* (FIDEMICA) and *Fideicomiso para Administrar la Contraprestación del Artículo 16 de la Ley Aduanera* (FACLA) programs. FIDEMICA is funded by fees associated with customs preclearance, and it supports SAT border priorities by purchasing real estate and personal property, and contracting for services. FACLA, which is funded through use of customs facilities, is specifically for technological improvements and modernization.

## **4. Binational Funding Sources and Mechanisms**

### ***Using Public-Private Partnerships for Border Infrastructure***

The Honorable Mary E. Peters (Mary Peters Consultants; former U.S. Secretary of Transportation) presented about the use of public-private partnerships for border infrastructure. The presentation included recommendations for using public-private partnerships effectively and allocating risk between the public and private sectors. Ms. Peters cited environmental studies and right-of-way (ROW) as two areas where the public sector is more efficient than the private sector.

### ***Project Risk Management: Private Sector Perspective***

Arturo Olvera (MTH Capital) spoke about risk allocation from the Mexican and private-sector perspective. In general, public-private partnerships should allocate each risk to the party that has the best knowledge, resources, and capability to manage the risk effectively. In Mr. Olvera's opinion, there is room for improvement in the allocation of certain types of risks between the public and private sectors, specifically: demand risk (traffic and revenue forecasting), design risk, and ROW risk.

### ***North American Development Bank (NADB) Programs***

Alex Hinojosa (NADB) presented on NADB programs and their relevance for border infrastructure finance. NADB was founded as part of NAFTA with a mission of financing projects that protect the environment along the US-Mexico border. Typical projects for NADB include those related to water, waste management, air quality (including ports of entry), and clean energy. NADB can finance projects that are located within 100 kilometers (62 miles) north of the border, and 300 kilometers (186 miles)

south of the border. NADB is one of the few truly binational organizations on the US-Mexico border, so it is in a unique position to help facilitate and coordinate border projects.

### ***US & Mexico Municipal Bonding***

Alex Hinojosa (NADB) and Arturo Ruiz (NADB) gave a presentation on municipal bonds and a case study of a municipal public-private partnership in Mexico. Municipal bonds are a tax-exempt vehicle for local governments to securitize cash flows from a specific service, such as water or sewer. Municipal bonding is much less common in Mexico than in the U.S, but it is possible. One case study is the Proyecto de Movilidad Urbana (Urban Mobility Project) in Juárez, Mexico. The city used Mexico's new public-private partnership law to finance a comprehensive paving project.

### ***Crowdfunding and Crowdfinancing: Moving Border Infrastructure Forward***

Kate Gasparro (Stanford University) provided an overview of how crowdfunding and crowdfinancing could be used for border infrastructure. Crowdfunding is soliciting contributions from a large number of people. Because it does not offer a financial return, crowdfunding is most appropriate for funding smaller projects. Crowdfinancing uses debt and equity instruments to finance a project. It can be used for larger projects, but has additional regulatory requirements. Ms. Gasparro provided a six-step process for how to pursue a crowdfunded or crowdfinanced project.

### ***Private Sector Perspective on Crowdfinancing***

Brian Ross (Infrashares) and Richard Toman (Torus Solutions) presented on the role of crowdfinancing for transportation infrastructure. Crowdfinancing is a growing source of equity worldwide (particularly in the commercial real estate industry), but it has not yet been used for public infrastructure projects. The 2012 Jumpstart Our Business Startups (JOBS) Act contains provisions that make it easier to public-private partnerships to use crowdfinancing to raise capital. There is no specific crowdfinancing legislation in Mexico, but theoretically a border infrastructure project could market to accredited investors in both countries. Torus Solutions and Infrashares are both private infrastructure crowdfinancing companies that are looking for interested public-sector partners.

## **5. Requirements and Case Studies of Financing Binational Projects**

Cameron McGlothlin (U.S. Department of State - DOS) presented on the Presidential Permit requirements for binational projects. A Presidential Permit is a permission given by DOS for a facility that touches the international border. An environmental review consistent with the National Environmental Policy Act (NEPA) is a major component of the Presidential Permit process for any project that has the potential to significantly impact the human environment. Mr. McGlothlin urged applicants to contact DOS early and often throughout the process and, in particular, before beginning environmental review. Questions for Mr. McGlothlin focused on procedures for agency and stakeholder coordination.

Citlalli Pérez (Secretariat of Foreign Affairs – SRE) provided a general overview of binational border infrastructure groups and project development processes. On the Mexican side, a proposed project must be presented to the Interagency Group on International Bridges and Border Crossings, which includes relevant Mexican federal agencies. Once Mexican federal and local agencies have achieved

consensus, the next step is to present to the Binational Bridges and Border Crossings Group. This group meets three times per year and is the official forum for binational dialogue regarding U.S.-Mexico border infrastructure. Two additional high-level mechanisms for binational coordination are the 21<sup>st</sup> Century Border Executive Steering Committee and the High Level Economic Dialogue.

## **6. Economic Development and Multinational Corridors**

Kevin Moody (FHWA) presented on economic development and international corridors. Mr. Moody focused on three core challenges to improving international transportation corridors: mixed levels of public support, lack of effective risk management, and bureaucratic cultures. Recommendations included using stories to personalize the benefits of transportation improvements and implementing a coordinated risk management system across projects.

Gail Lewis (Arizona DOT) and Marco Frias (SCT) provided an update on the binational freight corridor competitiveness study. The proposed study, which will be jointly sponsored by Arizona DOT and SCT, will develop a supply chain performance measurement framework for the Mexico 15 corridor, which links Arizona to Central Mexico. Completing the Mexico 15 corridor is one component of Mexico's national infrastructure plan, and SCT is investing \$1 billion in corridor improvements.

## **7. Case Study: Brownsville West Rail Financing and Regional Mobility Authorities in Texas**

Adrian Rincones (Cameron County Regional Mobility Authority - CCRMA) presented on the Brownsville/Matamoros West Rail Relocation Project and the structure of regional mobility authorities. The Brownsville/Matamoros West Rail Relocation, which opened in August 2015, is the first new rail bridge to cross the U.S.-Mexico border in more than 100 years. The project was jointly funded by the U.S. and Mexico, and CCRMA was the prime developer. In Texas, a regional mobility authority is a political subdivision that can enter into agreements with other governments, issue bonds, and use transportation reinvestment zones (TRZ) to raise funds for transportation projects. Similar to a tax-increment financing zone, a TRZ is a designated geographic area that leverages future economic growth from incremental property or sales taxes to finance transportation projects. CCRMA implemented a countywide TRZ and receives 25% of the tax increment over the property tax base.

## **8. Border Fees**

Rick Van Shoick (North American Research Partnership - NARP) presented on the ways in which border fees could be used to fund border infrastructure improvements. Currently, there are a variety of border-related charges that serve as fees, including those associated with trusted traveler programs (e.g., SENTRI, C-TPAT) and agricultural inspections. The *U.S.-Canada Beyond the Border* report estimated that border fees in 2010 totaled \$230 million, with the highest fees on agricultural products. NARP is researching innovative ways to incorporate border fees into infrastructure finance. Questions for Mr. Van Shoick focused on how border communities can educate stakeholders farther from the border about the benefits of cross-border trade and infrastructure improvements.

<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved</i> <i>OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE February 2016		3. REPORT TYPE AND DATES COVERED Final
4. TITLE AND SUBTITLE Summary of the Border Infrastructure Finance Workshop, January 20-21, 2016				5a. FUNDING NUMBERS HW2LA3 / HW2LA4 /
6. AUTHOR(S) Kate Macfarlane				5b. CONTRACT NUMBER
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Department of Transportation John A Volpe National Transportation Systems Center 55 Broadway Cambridge, MA 02142-1093				8. PERFORMING ORGANIZATION REPORT NUMBER  DOT-VNTSC-FHWA-16-16
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) U.S. Department of Transportation Federal Highway Administration 1200 New Jersey Avenue, SE Washington, DC 20590				10. SPONSORING/MONITORING AGENCY REPORT NUMBER  FHWA-HEP-16-041
11. SUPPLEMENTARY NOTES				
12a. DISTRIBUTION/AVAILABILITY STATEMENT This document is available to the public through the National Technical Information Service, Springfield, VA 22161.				12b. DISTRIBUTION CODE
13. ABSTRACT (Maximum 200 words)  On January 20-21, 2016, the U.S.-Mexico Joint Working Committee for Transportation Planning (JWC), the Federal Highway Administration (FHWA), and the Secretariat of Communications and Transportation (SCT) sponsored a workshop on Border Infrastructure Finance. The workshop was hosted at the California Department of Transportation (Caltrans) District 11 office in San Diego, California. This report summarizes the presentations given at the workshop.				
14. SUBJECT TERMS Border infrastructure finance, border transportation, infrastructure finance, public-private partnerships, crowdfunding, ports of entry (POE), U.S.-Mexico Joint Working Committee for Transportation Planning (JWC)				15. NUMBER OF PAGES 5
				16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT Unlimited	

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)  
Prescribed by ANSI Std. Z39-18  
298-102