VIRGINIA LEADERSHIP IN PUBLIC-PRIVATE PARTNERSHIPS

- PPTA enabling legislation adopted 1995; PPEA followed
- PPTA implementation guidelines from project to project
- Creation of VAP3 office 2010, new industry practices, need for more public engagement drove significant process changes
- 2014 – Updated PPTA Implementation Manual & Guidelines
- Goal is to build strategic program, extend VAP3 leadership
VIRGINIA P3 LESSONS LEARNED

- Permanent office acts as champion, catalyst, guide
- P3 leaders and program managers have vision, discipline & imagination; are pragmatic & collaborative by nature
- Consistent, detailed guidelines facilitate closure, realization of public benefits
- Continuous reviews of assumptions and conclusions improve project decisions
- Effective P3 communications focus on benefits produced, broad policy goals advanced
- Steady flows of information to agencies, officials, planners, media build understanding and trust
- Other states, provinces, countries have good ideas; competition is growing
I-95 EXPRESS LANES PROJECT

• Comprehensive agreement with Transurban/Fluor executed July 2012
• Express lanes opened December 14
• Transurban 80-year concession period
• Virginia contribution of $71 million leveraged $925 million project
• Adds to managed lanes (HOT) system that includes I-495 Express Lanes
• Over 100 million users of I-495 Express Lanes in first two years
• Virginia’s contribution of $409 million leveraged a $1.7 billion I-495 project
• Transurban increased its equity investment in 2014 to bring debt service requirement more in line with revenues
ELIZABETH RIVER TUNNEL PROJECT

- Two-lane tunnel connects Hampton and Portsmouth
- Parallels existing Midtown Tunnel under Elizabeth River

- Includes maintenance, safety improvements for existing Midtown & Downtown Tunnels, extension of MLK Boulevard
- VDOT maintains ownership and oversight
- Private concessionaire ERC will finance and build facilities, operate and maintain for 58-year period
• Tier 2 EA, preliminary engineering design, data collection underway
• Coordination with local stakeholders, agencies ongoing

• Brief oversight board (Commonwealth Transportation Board), issue Request for Qualifications (RFQ) early 2015
• Announce short-listed teams mid-2015
• Develop, issue Request for Proposals (RFP) late 2015
• CTB approve selected alternative 2015
• Complete NEPA end of 2015
• Commercial close end of 2016
• Begin construction by 2017
**I-66 MULTIMODAL PROJECT**

**Two Express Lanes** (convert existing HOV lane and add one lane)
- HOV-3 and buses travel free
- Non-HOV tolled
- Congestion-based tolls
- Convert HOV-2 to HOV-3 by 2020, consistent with region’s Constrained Long Range Plan

**Three General Lanes**
- Open to all traffic
- No tolls
- Ramp-to-ramp connections (auxiliary lanes)

**Rapid Bus Service**
- High frequency of service beyond peak hours
- Travel in express lanes for reliable travel times
Positive suggestions from officials, public, businesses, MPOs, legal teams

- 100+ responses over a 30-day period
- P3 delivery method vital to future transportation projects
- Public and stakeholders wanted to improve transparency, competition and accountability

Results of 2014 initiative to review and revise Guidelines

- Increased CTB (oversight board) involvement
- Increased public engagement
- Enhanced competition
- Increased transparency
- Improved risk assessment and management
HIGHLIGHTS OF NEW GUIDELINES

• Aligns political support at project development stage (P3 Steering Committee includes oversight board members, representatives of House and Senate, non-Agency state financial expert)

• Gets oversight board commitment before procurement begins and private sector begins to spend money on proposals (oversight board resolution of approval necessary to advance P3 projects from project development to project procurement)

• Includes regular notifications and briefings to legislature (General Assembly Appropriations, Finance and Transportation Committees)

• Encourages competition (requires review of RFQ/RFP if project procurement results in a single response)

• Establishes accountability for P3 decision (Secretary of Transportation signs Finding of Public Interest document)

• Requires review if material changes in scope, financial terms or risk allocations
ADDRESSING RISK FOR P3 AND D-B

Part 1: Screening and Identification Phase
- Solicited P3 Projects
  - High-Level Screening with Recommendations
  - Policy Review with Recommendations
  - Unsolicited P3 Projects
- Detail-Level Screening with Recommendations
- Initial Risk Workshop and Discussions
  - Initial Risk Register
  - Initial Risk Management Plan

Part 2: Project Development Phase
- Project Development
- Interim Risk Register
  - Interim Risk Management Plan

Part 3: Procurement Phase
- P3 Project Procurement
- Comprehensive Agreement (CA) Executed
- Final Risk Register
  - Final CA Risk Register
  - Final CA Risk Management Plan

Part 4: Construction Phase
- Project Implementation Design and Construction
  - Final Risk Workshop

Part 5: Operations Phase
- Project Implementation Operations and Maintenance
  - Handoff from VAP3 to the Agency
  - Project Handback
* Parties to be notified and briefed upon request after the Oversight Board decision:
  - Chairs of General Assembly committees
  - MPO’s
  - Interested members of General Assembly
  - Special interest groups
  - Regulatory Agencies
  - Public

Briefing Focus:
- RFI results (as appropriate)
- Schedule
- Refresh on the high points from Project Development
- Preliminary Procurement documents
- Risk Analysis and Value-for-Money
- Estimated project cost
- Potential public subsidy
- Potential economic benefits
- Preliminary Business Points
- Initial Finding of Public Interest

Draft and Final Contract Documents posted on P3 Website for review & comment

Final Contract Documents posted on P3 Website

Briefing Focus:
- Major Business Points
- Updated Risk Allocation & Management Plan
- Statutory Audit results
- Final Value-for-Money Analysis
- Updated economic benefits
- Project bid results
- Public subsidy (if required)
- Final Finding of Public Interest
P3 COMMUNICATIONS NEXT STEPS

• Distribute P3 Implementation Manual and Guidelines
• Require transportation agencies to adopt Guidelines
• Finalize Public Engagement, Risk Management and Value for Money Analysis Guides in 2015
• Encourage public engagement via www.p3virginia.org and social media 24/7
• Brief General Assembly members, media, business groups, other government agencies, transportation companies
• Program centered on true P3s - equity, risk sharing, life-cycle costs, speedier delivery
• Next project I-66 Multimodal Improvements will add to managed lanes system
• Hampton Roads bridge and tunnel project
• Continue the review of P3 process, decision-making and accountability
• Goals are to strengthen transparency, competition, public engagement, risk assessments and management
Hampton Roads Transportation Accountability Commission capital planning tool allows regional body to evaluate scenarios of project mix, prioritization, financing and delivery.

- Can run multiple scenarios to see the cause and effect of different assumptions
- Can forecast project costs, revenues and funding availability
- Allows HRTAC to make informed decisions on project and program delivery
Assumptions allow HRTAC members to develop a systems view.

- Project prioritization
- Project phasing
- Fund availability
- Construction costs and timelines
- Project revenue potential
- Operating cost
- Inflation
- Tax revenue growth

- Financing opportunities (coverage ratios, cost of finance, repayment profiles)
- Delivery methods (DB, DBF, concession)
- Reserve accounts for residual cash flow
- Securitization (revenue uplift, cost of capital, length of securitization)
<table>
<thead>
<tr>
<th>Period start date</th>
<th>1-Jan-14</th>
<th>1-Jan-15</th>
<th>1-Jan-16</th>
<th>1-Jan-17</th>
<th>1-Jan-18</th>
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<th>1-Jan-20</th>
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<td>Period end date</td>
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<td>31-Dec-15</td>
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<td>Period Number</td>
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<td>3</td>
<td>4</td>
<td>5</td>
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### Project Funding Account

<table>
<thead>
<tr>
<th>$2014 Construction Costs</th>
<th>Nominal Sum</th>
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#### Funding Sources

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<tbody>
<tr>
<td>Six Year Plan Funding</td>
<td>126,561,000</td>
<td>100,000,000</td>
<td>26,561,000</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Current Regional Revenues Balance</td>
<td>174,535,744</td>
<td>174,535,744</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Funding</strong></td>
<td><strong>301,096,744</strong></td>
<td><strong>274,535,744</strong></td>
<td><strong>26,561,000</strong></td>
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#### Funding Available for Construction

<table>
<thead>
<tr>
<th>2014 Construction Costs</th>
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#### Previous Cash Balance Carried Forward

<table>
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<th>2014 Construction Costs</th>
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#### Total Cash Available for Construction

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<tr>
<th>2014 Construction Costs</th>
<th>Nominal Sum</th>
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#### Construction Drawdowns

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</thead>
<tbody>
<tr>
<td>I-64 / I-264 Interchange</td>
<td>(321,140,000)</td>
<td>(343,740,998)</td>
<td>-</td>
<td>(33,660,000)</td>
<td>(106,319,354)</td>
<td>(83,182,208)</td>
<td>-</td>
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<tr>
<td>Ft. Eustis Interchange</td>
<td>(157,500,000)</td>
<td>(180,603,787)</td>
<td>-</td>
<td>-</td>
<td>(8,281,055)</td>
<td>(8,281,055)</td>
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<tr>
<td>I-64 Widening - Segment 1</td>
<td>(144,000,000)</td>
<td>(144,000,000)</td>
<td>(15,000,000)</td>
<td>(25,700,000)</td>
<td>(67,300,000)</td>
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<tr>
<td>I-64 Widening - Segment 2</td>
<td>(201,500,000)</td>
<td>(213,592,853)</td>
<td>-</td>
<td>(6,630,000)</td>
<td>(68,982,262)</td>
<td>(70,361,908)</td>
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</tr>
<tr>
<td>I-64 Widening - Segment 3</td>
<td>(274,321,415)</td>
<td>(311,303,820)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10,824,909)</td>
<td>(94,266,459)</td>
<td>(61,320,003)</td>
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<tr>
<td><strong>Total Construction Costs</strong></td>
<td>(1,098,461,415)</td>
<td>(1,193,241,459)</td>
<td>(15,000,000)</td>
<td>(65,990,000)</td>
<td>(137,948,167)</td>
<td>(242,601,617)</td>
<td>(164,369,025)</td>
<td>(155,258,745)</td>
<td>(150,559,349)</td>
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#### Development Costs

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<tbody>
<tr>
<td>Patriots Crossing - Environmental</td>
<td>(5,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>High-Rise Bridge PE</td>
<td>(20,000,000)</td>
<td>-</td>
<td>(20,000,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Development Costs</strong></td>
<td>(25,000,000)</td>
<td>(25,000,000)</td>
<td>(25,000,000)</td>
<td>-</td>
<td>-</td>
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</table>

#### Net Cash Flow After Construction and Development Costs

<table>
<thead>
<tr>
<th>2014 Construction Costs</th>
<th>Nominal Sum</th>
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#### Regional Revenues

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</thead>
<tbody>
<tr>
<td>2.1% Sales Tax on Fuel</td>
<td>406,910,000</td>
<td>-</td>
<td>38,080,000</td>
<td>39,340,000</td>
<td>41,090,000</td>
<td>42,980,000</td>
<td>45,150,000</td>
<td>47,040,000</td>
<td>49,000,000</td>
</tr>
<tr>
<td>0.7% Retail Sales and Use Tax</td>
<td>907,564,967</td>
<td>-</td>
<td>86,209,964</td>
<td>89,227,312</td>
<td>92,707,178</td>
<td>96,415,465</td>
<td>100,272,083</td>
<td>104,282,966</td>
<td>112,770,000</td>
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<tr>
<td><strong>Total Additional Revenues</strong></td>
<td><strong>1,344,474,967</strong></td>
<td><strong>1,288,296,964</strong></td>
<td><strong>128,567,312</strong></td>
<td><strong>133,975,178</strong></td>
<td><strong>139,395,465</strong></td>
<td><strong>145,422,083</strong></td>
<td><strong>151,322,083</strong></td>
<td><strong>157,430,000</strong></td>
<td><strong>163,800,000</strong></td>
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</table>

#### Residual Cash Flow

<table>
<thead>
<tr>
<th>2014 Construction Costs</th>
<th>Nominal Sum</th>
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</table>

#### Project Account c/f

<table>
<thead>
<tr>
<th>2014 Construction Costs</th>
<th>Nominal Sum</th>
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Note: $15.34m in six year plan funding is federally earmarked to Patriots Crossing; however, the above cashflows only represent $5m of the total funding ($10.34m of the earmarked funds remains available for PC).
Public-private partnerships have the potential to supplement traditional funding (taxes and bond proceeds) and project delivery (Design-Bid-Build) methods.

- Deliver projects more quickly, especially where entities have limits on traditional tax revenue and bond programs
- Include life-cycle costs, including O&M
- Share risks with private partner
- Attract private financing to supplement & complement public funding
- Bring private sector financial discipline (investor due diligence, rating agency scrutiny) to project selection and prioritization
THANK YOU

Force = Mass x Acceleration

COUNCIL OF STATE GOVERNMENTS
Southern Legislative Conference Webinar
December 16, 2014

J. Douglas Koelemay
Director