



## F = MA : CSG SLC WEBINAR DECEMBER 16, 2014

J. Douglas Koelemay, Director

# 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



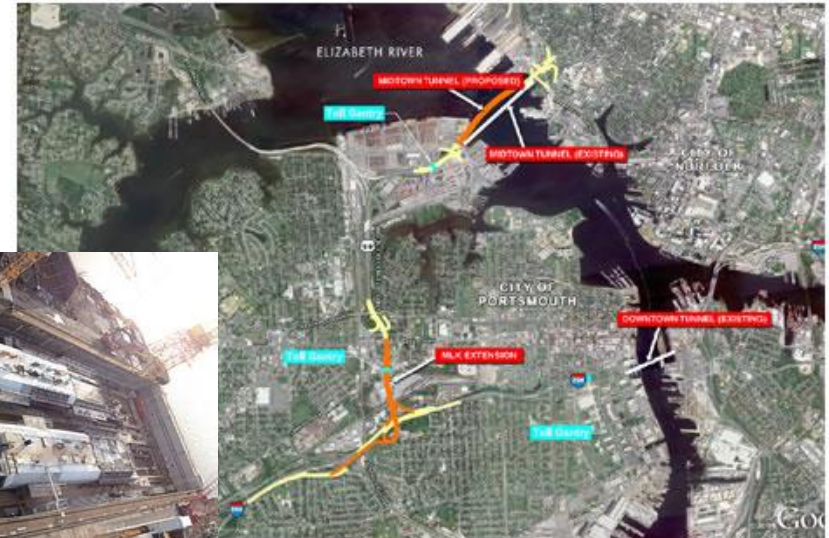
# I-95 EXPRESS LANES PROJECT

- 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

# I-66 MULTIMODAL PROJECT NEXT

- 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

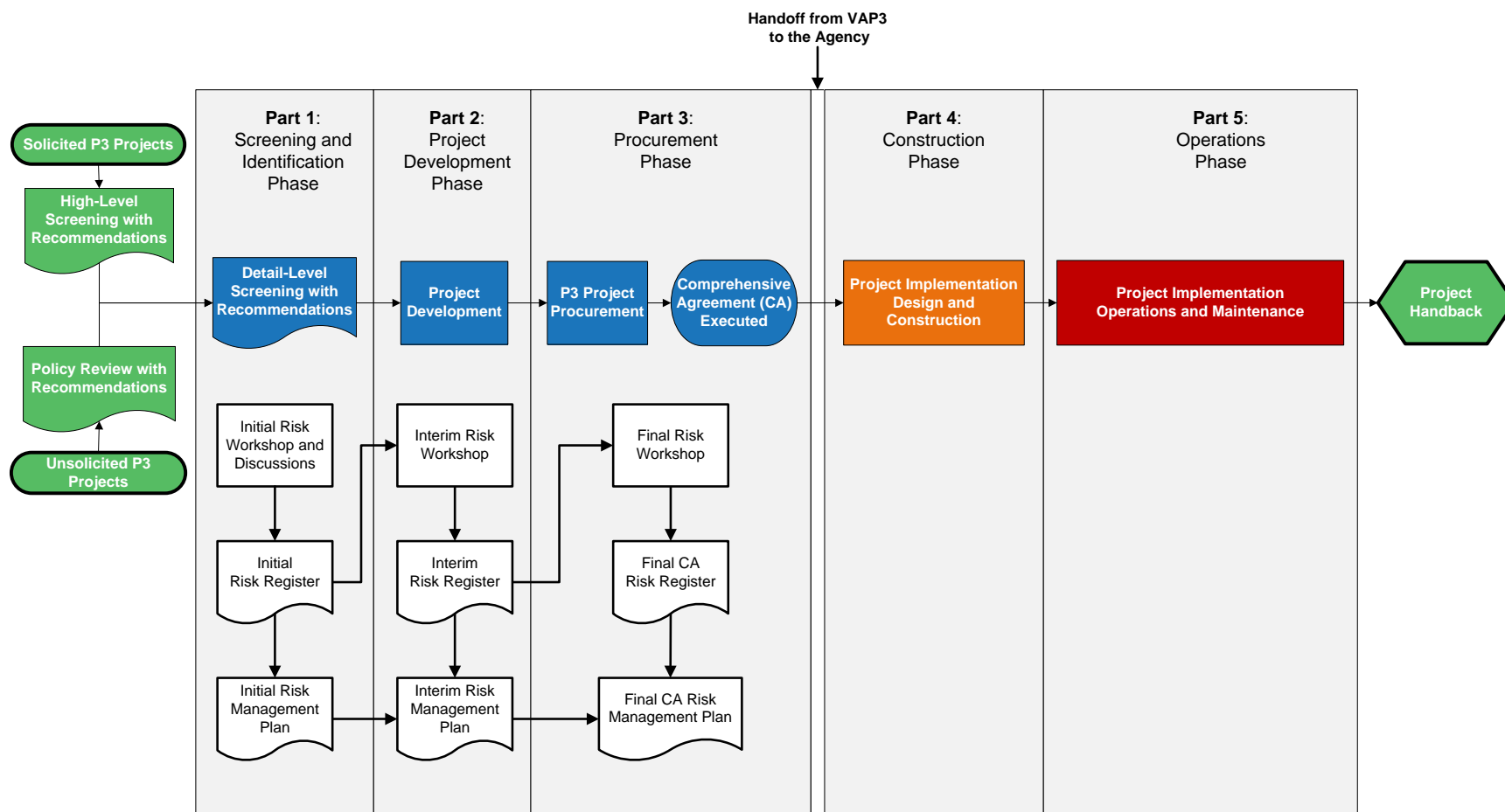
## Results of 2014 initiative to review and revise Guidelines

- 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



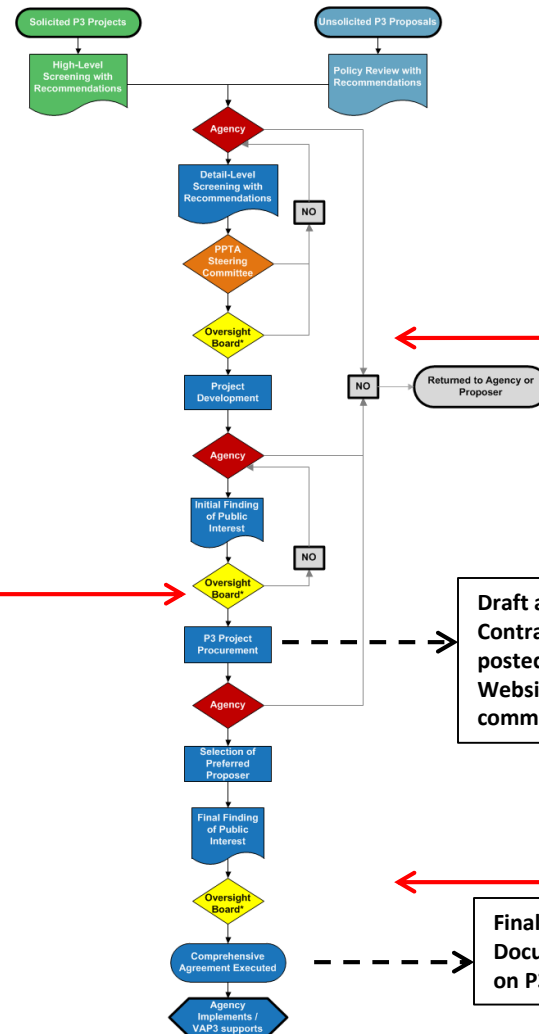
# PPTA PROJECT DELIVERY FRAMEWORK

\* 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



## Briefing Focus:

- Detail-Level Screening Report
  - Desirability as P3
  - Feasibility as P3
- HB 2 Prioritization
- Duration of P3 development and procurement

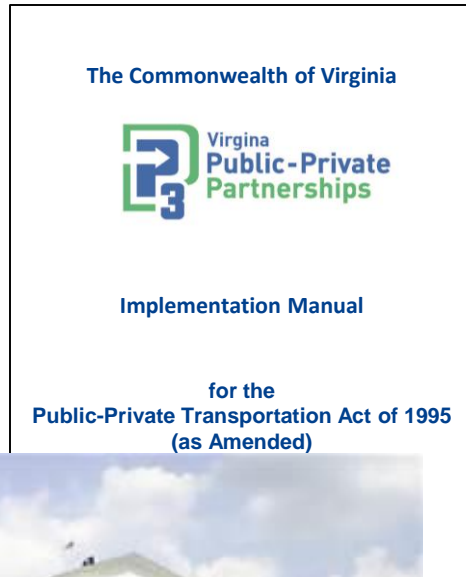
Draft and Final Contract Documents posted on P3 Website for review & comment

## 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

Final Contract Documents posted on P3 Website

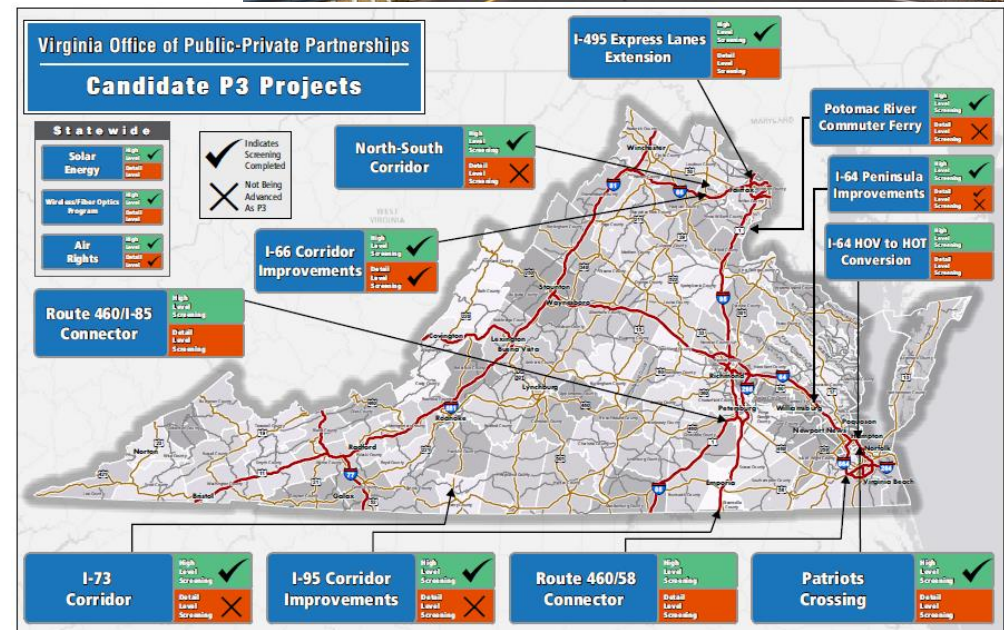
# P3 COMMUNICATIONS NEXT STEPS



- 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](http://www.p3virginia.org) and social media 24/7
- Brief General Assembly members, media, business groups, other government agencies, transportation companies

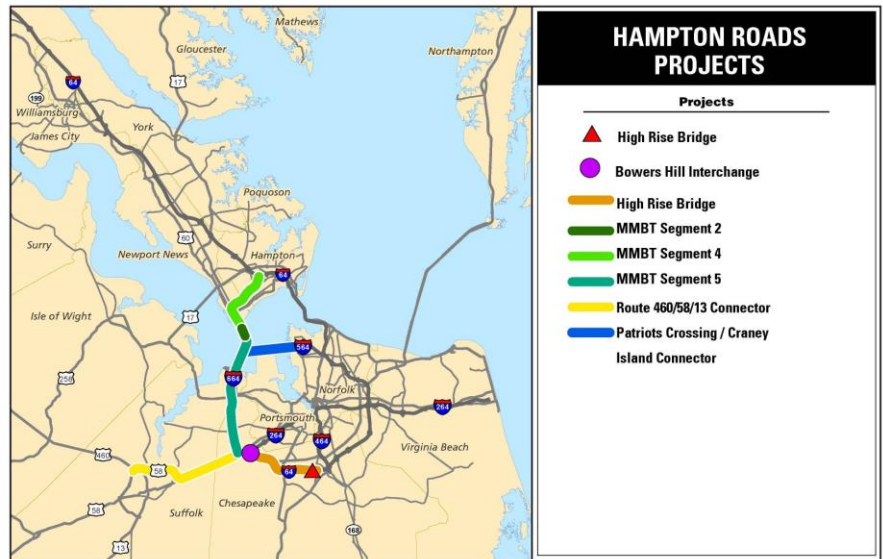


- Program centered on true P3s -  
- equity, risk sharing, life-cycle costs, speedier delivery
- Next project I-66 Multimodal Improvements will add to managed lanes system
- Hampton Roads bridge and tunnel project
- Continue the review of P3 process, decision-making and accountability
- Goals are to 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)

# HRTAC INITIAL FINANCIAL PLAN

Period start date		1-Jan-14	1-Jan-15	1-Jan-16	1-Jan-17	1-Jan-18	1-Jan-19	1-Jan-20	1-Jan-21	1-Jan-22
Period end date		31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Period Number		1	2	3	4	5	6	7	8	9
	\$2014 Construction Costs	Nominal Sum								
<b>Project Funding Account</b>										
<b>Funding Sources</b>										
Six Year Plan Funding	126,561,000	100,000,000	26,561,000	-	-	-	-	-	-	-
Current Regional Revenues Balance	174,535,744	174,535,744	-	-	-	-	-	-	-	-
<b>Total Funding</b>	<b>301,096,744</b>	<b>274,535,744</b>	<b>26,561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding Available for Construction</b>	<b>301,096,744</b>	<b>274,535,744</b>	<b>26,561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Previous Cash Balance Carried Forward	-	259,535,744	319,396,708	310,015,852	201,211,413	176,237,853	166,401,191	167,164,808	182,989,582	
<b>Total Cash Available for Construction</b>		<b>274,535,744</b>	<b>286,096,744</b>	<b>319,396,708</b>	<b>310,015,852</b>	<b>201,211,413</b>	<b>176,237,853</b>	<b>166,401,191</b>	<b>167,164,808</b>	<b>182,989,582</b>
<b>Construction Drawdowns</b>										
I-64 / I-264 Interchange	(321,140,000)	(343,740,998)	-	(33,660,000)	(34,329,485)	(106,319,354)	(83,182,208)	(86,249,951)	-	-
Ft. Eustis Interchange	(157,500,000)	(180,603,787)	-	-	-	-	-	(8,281,055)	(56,292,890)	(57,440,516)
I-64 Widening - Segment 1	(144,000,000)	(144,000,000)	(15,000,000)	(25,700,000)	(36,000,000)	(67,300,000)	-	-	-	-
I-64 Widening - Segment 2	(201,500,000)	(213,592,853)	-	(6,630,000)	(67,618,683)	(68,982,262)	(70,361,908)	-	-	-
I-64 Widening - Segment 3	(274,321,415)	(311,303,820)	-	-	-	-	(10,824,909)	(60,727,739)	(94,266,459)	(84,164,710)
<b>Total Construction Costs</b>	<b>(1,098,461,415)</b>	<b>(1,193,241,459)</b>	<b>(15,000,000)</b>	<b>(65,990,000)</b>	<b>(137,948,167)</b>	<b>(242,601,617)</b>	<b>(164,369,025)</b>	<b>(155,258,745)</b>	<b>(150,559,349)</b>	<b>(141,605,226)</b>
<b>Development Costs</b>										
Patriots Crossing - Environmental	(5,000,000)	-	(5,000,000)	-	-	-	-	-	-	-
High-Rise Bridge PE	(20,000,000)	-	(20,000,000)	-	-	-	-	-	-	-
<b>Total Development Costs</b>	<b>(25,000,000)</b>	<b>-</b>	<b>(25,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Flow After Construction and Development Costs</b>	<b>1,092,688,689</b>	<b>259,535,744</b>	<b>195,106,744</b>	<b>181,448,540</b>	<b>67,414,236</b>	<b>36,842,389</b>	<b>20,979,108</b>	<b>15,841,842</b>	<b>25,559,582</b>	<b>63,080,253</b>
<b>Regional Revenues</b>										
2.1% Sales Tax on Fuel	406,910,000	-	38,080,000	39,340,000	41,090,000	42,980,000	45,150,000	47,040,000	49,000,000	51,030,000
0.7% Retail Sales and Use Tax	907,564,967	-	86,209,964	89,227,312	92,707,178	96,415,465	100,272,083	104,282,966	108,430,000	112,770,000
<b>Total Additional Revenues</b>	<b>1,314,474,967</b>	<b>-</b>	<b>124,289,964</b>	<b>128,567,312</b>	<b>133,797,178</b>	<b>139,395,465</b>	<b>145,422,083</b>	<b>151,322,966</b>	<b>157,430,000</b>	<b>163,800,000</b>
<b>Residual Cash Flow</b>	<b>2,407,163,657</b>	<b>259,535,744</b>	<b>319,396,708</b>	<b>310,015,852</b>	<b>201,211,413</b>	<b>176,237,853</b>	<b>166,401,191</b>	<b>167,164,808</b>	<b>182,989,582</b>	<b>226,880,253</b>
<b>Project Account c/f</b>	<b>2,407,163,657</b>	<b>259,535,744</b>	<b>319,396,708</b>	<b>310,015,852</b>	<b>201,211,413</b>	<b>176,237,853</b>	<b>166,401,191</b>	<b>167,164,808</b>	<b>182,989,582</b>	<b>226,880,253</b>

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

Force = Mass x Acceleration  
COUNCIL OF STATE GOVERNMENTS  
Southern Legislative Conference Webinar  
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J. Douglas Koelemay  
Director

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