

Evaluating Public-Private Partnerships for State Transportation Projects



AECOM

KPMG

NOSSAMAN LLP

Presentation to State of Washington Joint Transportation Committee (JTC)

July 13, 2011

Agenda

This presentation will outline:

- Consultant Team Overview
- Introduction to PPP
- Study Objectives
 - Protecting Public Interest
 - Deliverables
 - » Workshops and Reporting
 - » Screening Tool
- Study Scope
- Q&A / Discussion

Consultant Team Overview



- Global provider of professional technical and management support services:

- Transportation
- Facilities
- Environmental
- Energy
- Government

- 45,000 employees in over 125 countries and a leader in all key markets served
- In-depth understanding of the Design-Build and P3 methods of delivery
- Involvement in over 450 P3 projects globally



A Fortune 500 company, AECOM serves clients in more than 125 countries and had revenue of \$7.3 billion during the 12 months ended March 31, 2011.

Consultant Team Overview



- Industry leading public side financial advisor
- Advised 10 US States in developing programmatic approach to innovative finance and P3
 - Served as financial and procurement advisor to InDOT, KYTC, VDOT, MDOT, NCDOT, FDOT, NDOT, Caltrans, CDOT and TxDOT
 - Have advised clients on closing over \$9 billion of US P3 transactions since 2008 including North Tarrant, LBJ, Capital Beltway, and SH 130
- Currently advising on over 30 projects in the US including Presidio Parkway-CA, Ohio River Bridges-IN & KY, New International Trade Crossing-MI, Midtown Tunnel-VA, and I-15 Managed Lanes-NV



- Leading US P3 legal advisor
 - Advised the Michigan DOT, Nevada DOT and Riverside County Transportation Commission on P3s, tolling and alternative delivery
 - Currently assisting the Nevada DOT and Arizona DOT in the development of P3 Programs
- Crafted P3 legislation for CA, IL, TX, IN, FL, AZ, UT, WA, and OR.
- Assisted government in reaching financial close for North Tarrant, LBJ, I-595, the Port of Miami Tunnel, and the South Jordan Bridge
- Currently advising on the following P3 projects: SR 91 Express Lanes extension, CA; Knik Arm Bridge, AK; New International Trade Crossing, MI

Consultant Team Overview



Simon Shekleton
Project Manager

- Infrastructure Finance Specialist experienced in the planning and delivery of projects globally
- Extensive experience in PPP sector
 - Project Director/Manager on technical due diligence exercises, and advisory roles
 - PPP advisory experience in 7 countries recently including Midtown Tunnel, Virginia and PR-22, Puerto Rico
 - Experienced procurement/bid advisor for public and private sector clients



Samara Barend
Deputy Project Manager

- VP and Strategic Development Director for P3
- Executive Director of New York Commission on State Asset Maximization
- Partnerships UK, P3 Foundation Master Program
- I-86 Campaign (Convert NYS Route 17 into Interstate 86)
 - Created 8,000 new jobs
 - \$3 billion in economic development

Consultant Team Overview



Greg Heinz
Project Director

- Manages AECOM's Pacific Northwest Transportation Practice from our Seattle offices
- Brings the local understanding of transportation challenges
- Experience with WSDOT mega-project funding and financing:
 - Toll traffic and revenue modeling: SR 520, Columbia River Crossing, and Alaskan Way Viaduct
 - Financial Planning: SR 520 and Columbia River Crossing



Liam Kelly
Lead Financial

- 15 years of global experience focused on project finance and P3
- Leads project screening and implementation and public sector strategic advisory services
- Strategic advisor to many US States on innovative finance including Michigan, Indiana, Texas, and California
- Lead financial and commercial advisor to the public sector sponsor on 5 successfully closed multi-billion dollar transportation P3 projects in the US over the course of the last 4 years

Consultant Team Overview

Other Key Personnel

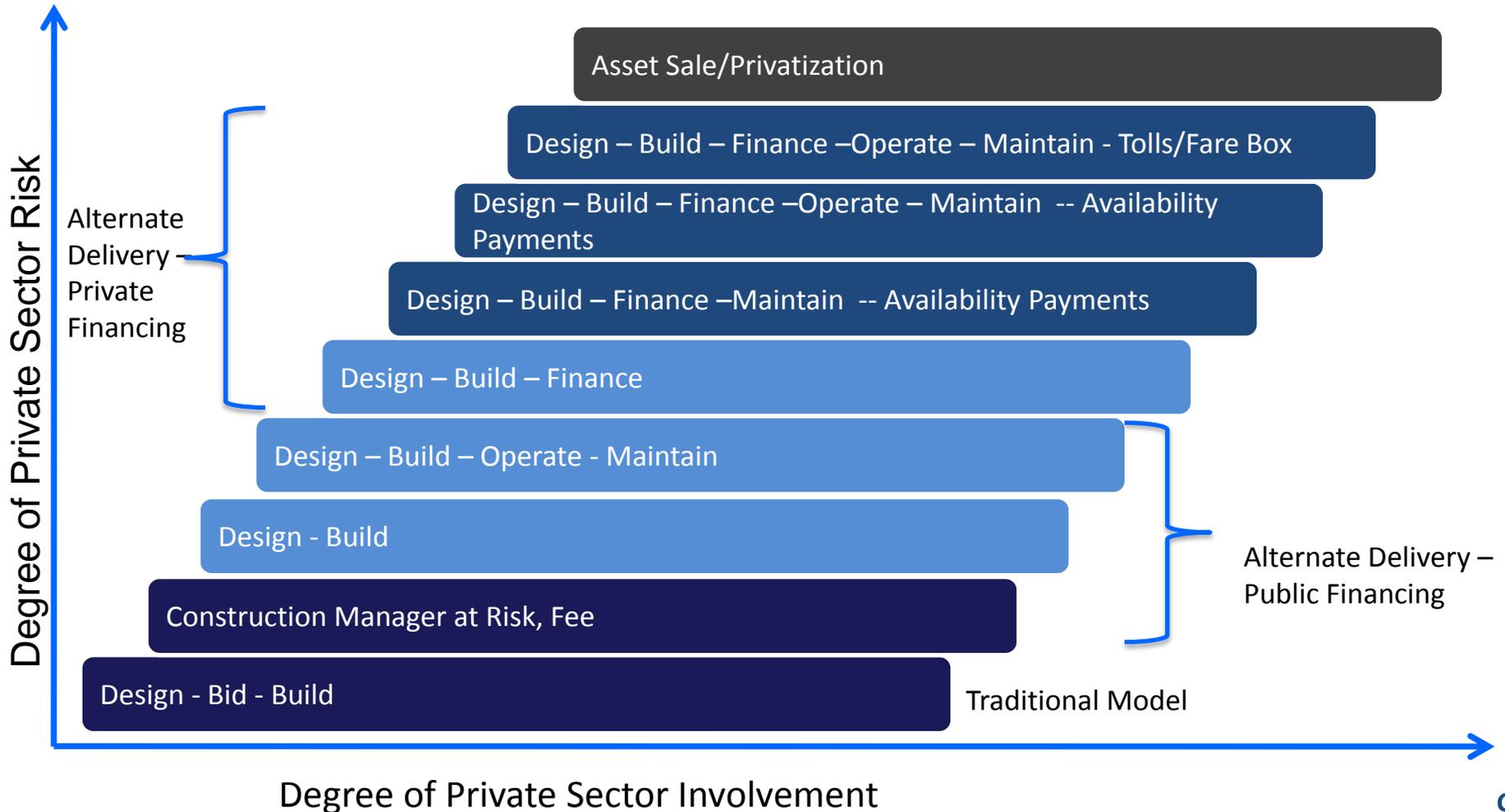
- **Tim Wilschetz**
Tax exempt finance & project finance
KPMG LLP
- **Winnie Shi**
Procurement Option Analysis
KPMG LLP
- **Iain Tester**
Project Finance & Screening
KPMG LLP
- **Ian Flanagan**
Project Finance & Screening
KPMG LLP
- **Mario Iacobacci**
Policy Advisor
AECOM
- **Simon Hough**
Risk Specialist
AECOM
- **Susan Kehoe**
Technical Specialist
AECOM
- **Matthew Hallissey**
Managed Lanes Specialist
AECOM
- **Geoffrey S. Yarema**
Legal Counsel
Nossaman LLP
- **Fredric Kessler**
Legal Counsel
Nossaman LLP
- **Margo Bennett**
Legal Counsel
Nossaman LLP

What are PPPs, or P3s?

A PPP is one approach to achieve efficient allocation of risk and reward between the public and private sectors to deliver and finance a service or facility for the benefit of the public.

Introduction to PPP

Project Delivery Options



Study Outline

- Education
 - 2-day informational workshop, August 2 and 3
 - Objectives are to engage the JTC Policy Workgroup and Staff Workgroup in dialogue and education
- Develop Project Screening Tool
- Develop Comparative Financial Model
- Conduct 2 Day Table Top Exercise
 - Run the five projects through the screening tool and finance model
- Develop Conceptual P3 Implementation Plan
- Prepare Final Report

Study Objective: Protect the Public Interest

- Establish clear policy objectives up front
- Provide objective oversight (neither pro/against PPP)
- Identify desirable projects for PPP from public perspective
- Ensure for a transparent and fair procurement process
- Develop a process to determine whether value for money is likely to be achieved through a PPP approach
- Communication with stakeholders throughout the procurement process

Study Objective: Protect the Public Interest

When and how could the “public interest” be protected?

Setting and controlling fares/tolls?

Allowing excessive returns?

Responding to poor service delivery?

Insolvency of private partners?

Termination of the concession?

Handback: What happens to the assets?

Cost of Capital: Tax exempt vs. Private financing

Two-Day Informational Workshop (August 2-3)

Agenda Day 1

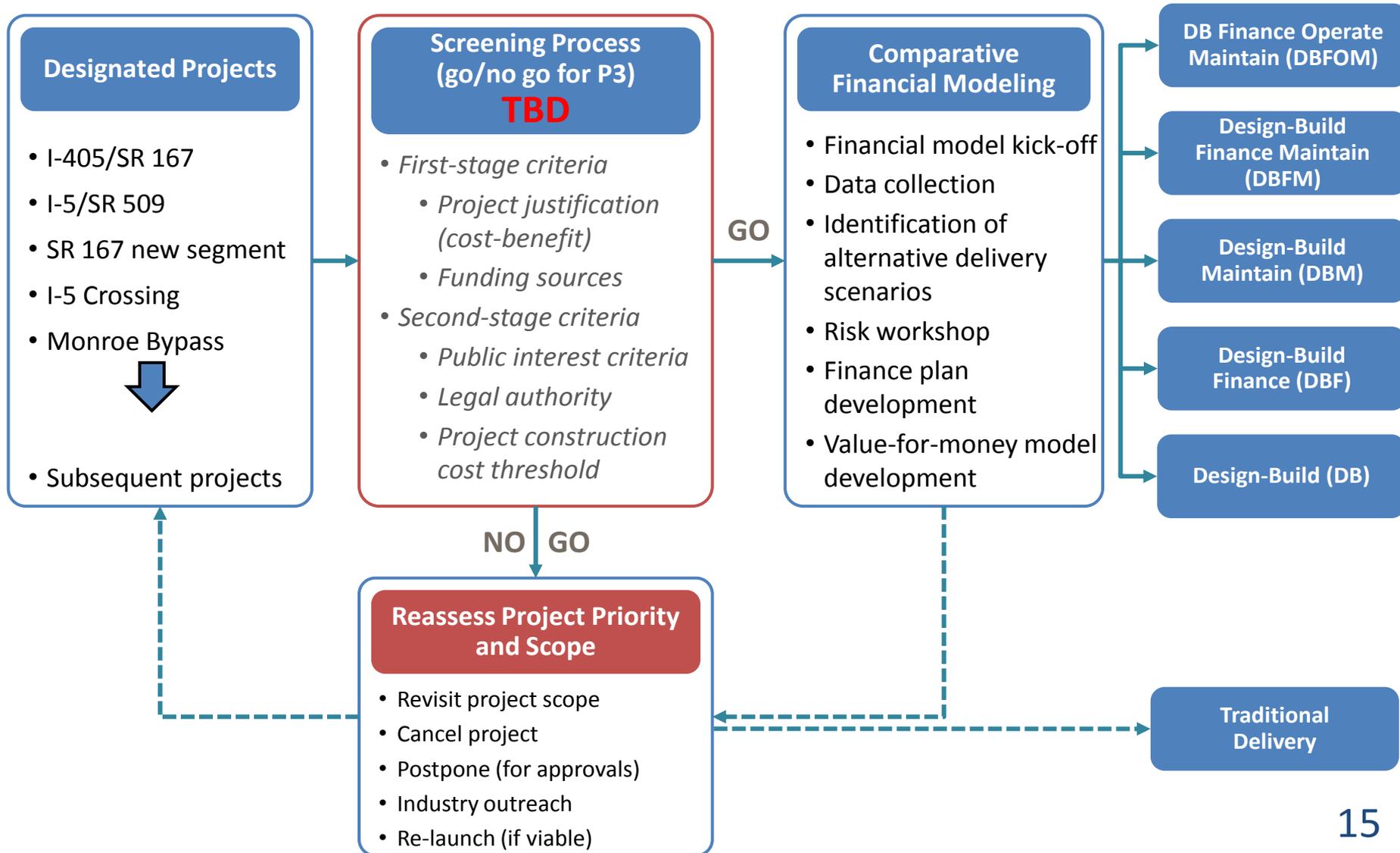
- PPP Overview
 - Definitions, Pros/Cons
 - Public Interest
- P3 Structure
 - Concessionaire/Public Sponsor Structure
- P3 models
 - Design-Build, Design-Build-Operate, Design-Build Finance, Design-Build-Finance-Operate, and Design-Build-Finance-Operate-Maintain
 - Overview of the models, pros/cons of each approach, rationale for using different models
- Screening Process – What makes a project suitable for a PPP?
- Value for Money Analysis
 - Importance of VFM to ensure public interest
 - When and how it is used, case studies of use in other states/nations
- Risk Allocation

Two-Day Informational Workshop (August 2-3)

Agenda Day 2

- Discussion/Overview of Selected Projects
- PPP Implementation
 - Organizational Structure
 - Procurement Process
 - International Best Practices
 - Success factors
- Public Perspective
 - PWG expectations and concerns relating to the public interest
 - How the public interest can be incorporated into the project process
 - Upholding the public interest while advancing projects suitable for private investment
- Investor Perspective
 - Suitable market interest
 - Transparent procurement process
 - Key commercial terms

Study Objective: Project Screening Context



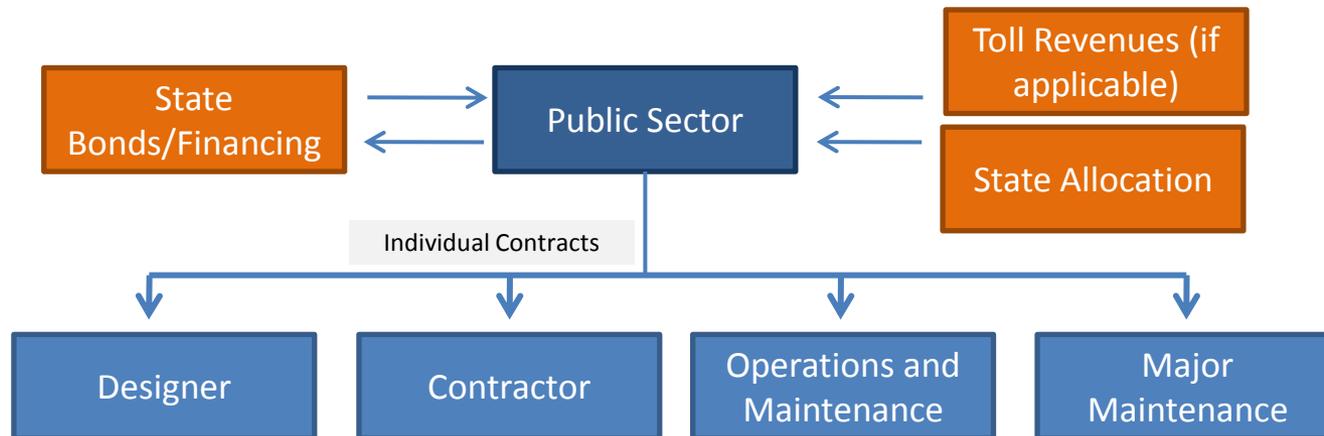
Q&A / Discussion

- What are your desired outcomes from this study?
- What is your perception of P3?
- What are your motivations / what solutions would you look for P3 delivery to provide?
- What are the key policy concerns you have with regard to P3?
- What are the greatest obstacles to P3 in Washington State?

Introduction to PPP

Infrastructure Delivery Models: Traditional Approach

- Separate awards to design and construct contractors
- Public Sector Party may also outsource maintenance
- Public Sector Party manages the interface between multiple contracts

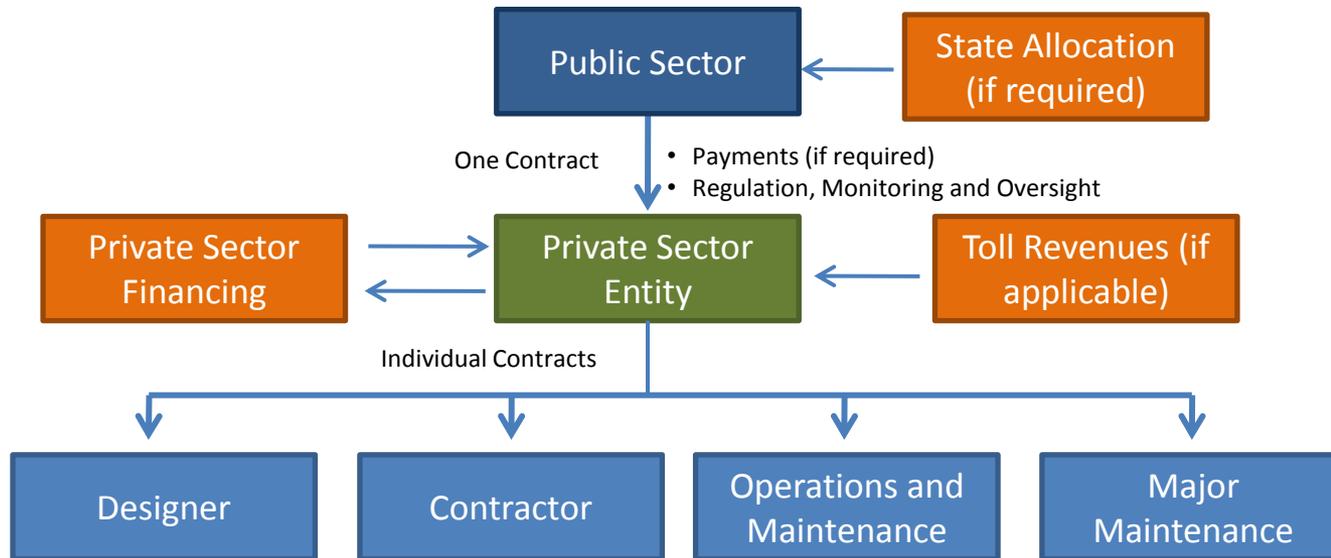


- Tried and tested method
- Access to municipal finance market
- Some budget uncertainty for the whole of project life
- Some design, construction and maintenance risk remains with public sector sponsor
- Construction contractor retains little if any ongoing responsibility for maintaining quality
- Public sector direct control over facility

Introduction to PPP

Infrastructure Delivery Models: PPP Approach

- One contract awarded to a private design, construction, O&M consortium to operate for a specified time
- Private Sector also undertakes long-term financing



- Contractor is motivated to provide the best value whole-life solution
- More risk is transferred to the contractor in both the short and long term
- Greater incentive for innovation and efficiencies
- Often higher cost of finance (mitigated if access to PABS and TIFIA)
- Provide whole of life budgetary certainty
- Public sector indirect control over facility through contract